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Lloyds Bank Limited

MONTHLY REVIEW

FEBRUARY 1935

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Lloyds Bank Limited

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****The Bank publishes from time to time in this Monthly Review signed articles by exponents of different theories on questions of public interest. The Bank is not necessarily in agreement with the views expressed in these articles.*

Recovery and the Rate of Interest

By D. Graham Hutton

AT all times the prevailing rate of interest has been taken as the indication of the community's need for capital equipment. That is, the rate of interest offered for long-term loans of money set aside by private or corporate persons from their current incomes has been accepted as a reflection of the urgency of the need for all that productive apparatus by which modern civilisation contrives to extract more and more consumption goods from a given combination of labour and natural resources. Since the middle of the eighteenth century, more and more of our annual economic activity has been directed to the fashioning of capital goods—goods and services which aid the eventual production of consumers' goods. The country's annual production has been more and more directed to creating, repairing and maintaining an equipment of processes and services which alone make rising standards of living possible. To-day, from New York right round the Northern Hemisphere to New York again—with incidental differences of political and social systems—all countries are irrevocably committed to a capitalistic system of producing their citizens' consumption goods. This system is an indirect, roundabout system of production ; it involves delays which must be financed ; delays mean waiting for both

the yield on the funds invested and the return of the principal; and so there emerges the significance of the rate of interest. It is the fulcrum, as it were, upon which the lever of production rests.

Now clearly the rate of interest will vary with the varying profitability of the uses to which borrowed money can be put. If I decide to save part of my current income, I can do three things, and only three things with the resulting savings. I can "squander" them, i.e., dis-save them again. I can "hoard" them, i.e., keep them liquid without engaging them, directly or indirectly, in production. Or I can "invest" them in some channel of production. What I decide upon is dictated by the outcome of a conflict in my attitudes to the comparative "worth-while-ness" or advisability of keeping my savings readily available for consumption, or of letting them increase my current consumption at the risk of losing them and at the cost of not being able so readily to reconvert them to cash. There are thus two elements in the rate of interest upon long-term capital investment. First, there is a varying proportion of the rate which represents an insurance premium against the risk of losing the capital lent. Secondly, there is also a varying proportion representing the community's need of capital, and the willingness of income-receivers to supply it. Now when the business of making capital goods is going well, there is a demand for savings because large enough profits can be made to cover even a high rate of interest. But in a depression, there is redundant capital equipment and apparatus; profits are low; and the rate of interest falls, provided more savings are made than are currently needed. And usually in a depression this happens, because *some* forms of savings are stimulated by depression, e.g., insurance (as at present) or savings for fixed incomes.

Thus, there is always a kind of tug-of-war going on in a community which produces on capitalistic lines; for the State or the individual property-owners are always changing their opinions on the relative merits of "jam to-day or jam in three months or jam in twenty years." That is, a depression will increase the urge to get away from the unprofitable long-term investment; a currency crisis will certainly do it. Therefore in either case an urge to "liquidity" will set in; the short-term market will be deluged with offerers of funds, and the long-term rate of interest, though falling in consonance with the falling

profitability of industry, will remain much higher above the short-term rate than normally. Then bankers' deposits will rise; a general state of "hoarding," i.e., of non-invested liquid capital funds, will ensue; and in such a state of affairs it becomes wellnigh impossible for either bankers or economists to say whether the excessive redundancy of liquid capital funds is due to the inability of enterprise to pay the current rate of long-term interest, or to the unwillingness of capital-owners to lend for long-term at rates which enterprise can pay. It is not so much the *yield* which now matters to potential long-term lenders. "Hurroar for the principal!—as the moneylender said ven he refused to renew the bill!" to quote Mr. Sam Weller. These considerations are complicated enough, in all conscience. They are complication worse confounded when monetary and credit variations intervene; when, for example, the supply of credit alters, altering in its wake the money rate of interest and the apparent amount of savings which piles up.

In 1932 Mr. Keynes declared in LLOYDS BANK REVIEW that the long-term rates of interest then prevailing could not continue. More recently he has expressed the view that the rate of interest *can* be made to fall to a point where the return payable to the owners of capital is no real burden on the community. Our own Chancellor of the Exchequer has just declared that the Government's continued policy is that of "cheap money" as a stimulant to new enterprise, and that the Government is mainly responsible for the cheap money itself. But here certain questions arise, to which it is hoped this article may provide a few tentative answers. Is the reduction of long-term interest rates in this country due to lessened profitability of enterprise, or to an accumulation of funds in liquid form, or to credit expansion, or to a narrowing of the avenues of enterprise since 1930? Is it, perhaps, not rather the case that long-term interest-rates would already have sunk through the floor, had it not been for various risks, e.g., currency chaos, fear of Socialism, uncertainty of tariffs, which have combined to raise, to an abnormal proportion of the rate, the element of risk-premium demanded by potential lenders of capital? Can we in Britain rely on the automatic functioning of a falling long-term interest rate as a stimulus to entirely new enterprise? These questions can only be tested by reference to figures. The Table below gives certain indicators of business activity and of the financial situation since 1928.

Table I

United Kingdom : Production, Finance and Interest Rates, 1928–34.

Year.	Qr.	Quarterly Index of Production. London and Cambridge Economic Service. 1924=100.	Wholesale Price Index. Board of Trade. Materials only. 1924=100.	BANKING AND FINANCE. Deposits.	Advances.	Investments.	Discounts.	Treasury Bills.	INTEREST RATES. Short.—Average Rate on Treasury Bills.	Long.—Average Quarterly Yield on Gilt-edged. Actuaries' Investment Index.
				£mn.	£mn.	£mn.	£mn.	£mn.	%	%
1928	1	105·7	81·1	1706	923	241	226	594	4·19	—
	2	103·7	81·4	1703	934	232	210	541	3·91	—
	3	95·4	80·5	1738	932	239	251	605	4·19	—
	4	105·2	79·9	1770	942	243	252	712	4·40	4·51*
1929	1	108·3	80·5	1775	968	247	249	755	4·96	4·65†
	2	111·0	79·7	1748	981	244	201	722	5·21	4·69†
	3	108·2	79·3	1764	979	242	227	768	5·42	4·86†
	4	114·8	78·1	1763	971	237	228	795	5·50	4·76†
1930	1	109·6	74·8	1721	973	229	214	684	3·57	—
	2	100·9	71·5	1747	962	230	242	591	2·35	4·54
	3	90·7	68·1	1775	938	249	282	643	2·22	4·47
	4	92·7	64·5	1810	920	264	309	678	2·23	4·32
1931	1	85·1	62·2	1781	913	290	288	646	2·43	4·43
	2	80·6	60·2	1714	917	279	232	584	2·29	4·22
	3	81·1	57·8	1711	897	286	258	651	3·46	4·60
	4	90·5	61·0	1686	890	284	239	636	5·56	4·78
1932	1	91·3	60·5	1646	889	266	219	601	4·08	4·47
	2	83·2	56·4	1677	854	293	253	619	1·34	4·04
	3	77·8	57·7	1801	805	349	360	791	0·57	3·68
	4	87·2	59·0	1885	772	420	395	876	0·77	3·69
1933	1	88·0	57·9	1915	753	476	386	857	0·71	3·49
	2	88·8	58·9	1911	759	512	343	834	0·39	3·51
	3	87·9	61·5	1927	746	542	357	990	0·32	3·53
	4	97·4	61·6	1901	728	547	322	956	0·93	3·47
1934	1	102·5	63·5	1834	731	537	244	866	0·87	3·38
	2	102·6	62·7	1822	744	524	219	843	0·87	3·35
	3	96·8	62·0	1824	743	540	218	833	0·68	3·30
	4	105·0	62·8	1886	741	569	233	857	0·49	3·18

* December, 1928.
† Last week of each Quarter.

NOTE.—Deposits, advances, investments and discounts relate to the nine clearing banks operating wholly in Great Britain. The figures represent the quarterly averages of the monthly average returns. The average volume of outstanding Treasury Bills and the rate of discount represents the average of the returns for the second week of each of the three months in the quarter.

The figures in the first column can be supplemented by a few comments. Since 1929, activity in coal-mining, pig-iron production, shipbuilding, railway vehicle construction, and cotton textiles manufacture has fallen substantially below the level then prevailing. On the other hand, production in the distributive trades, tobacco, cocoa, paper, silk and artificial silk, copper, lead, tin, and zinc industries is well above the 1929 level. In 1934 we imported a greater volume of raw materials than in 1929; but our exports of manufactures in 1934 were, in volume, only three-quarters of the 1929 figure. Employment has been rising steadily in distributive trades, home industries and "protected" industries, e.g., iron and steel, shops and stores, silk and artificial silk—but eighteen months after what we call "recovery" set in, we still have over 2,000,000 unemployed, obstinately centred in the coal, shipbuilding, engineering, and textiles industries, which were once our great exporting industries.

The second column in the Table shows the benefit to British industry of the fall in the prices of some raw materials. Against this should be set a rigidity of wage-rates since 1928–29 which is in striking antithesis; they have fallen only about 6 per cent. on the average. This has been one influence on *entrepreneurs* making for capital installation designed to promote economy of labour, especially as the long-term rate of interest fell.

Next we come to a series of financial indicators. Bankers' advances to industry have fallen from a high point of £981 millions (monthly average) in the second quarter of 1929 to a low point of £744 millions in the second quarter of 1934. They had been falling away throughout 1930 and 1931, which, in the onset of depression, is to be expected; and at the same time a similar phenomenon, the rise in deposits, began. Then came the year of real crisis—1931. The contraction of credit led to a fall in deposits; advances began to fall; they fell from a monthly average of £890 millions in the last quarter of 1931 to one of £772 millions in the last quarter of 1932. Meanwhile, in the Finance Act of 1932 the Government set up the Exchange Equalisation Account based on £150 millions of new Treasury bills (raised to £350 millions a year later); and foreign "panic" money, now that confidence was restored in sterling, began to come in at once, giving the Fund work to do. As a result, the issue of Treasury bills went up; the banks'

discounts went up; but the fall in advances turned the banks towards the gilt-edged market, where they had been impelled by the falling interest rates after the success of the War Loan conversion in the summer of 1932. The banks had to buy existing gilt-edged securities; therefore, as a combination of all these factors, their deposits went up. There was a general rush for "liquidity" in 1932. But somewhere, at the end of a long chain of transactions between the banks, private holders of gilt-edged stocks, and concerns with rapidly liquifying assets, there was a net "swap" of a Stock Exchange security for a bank deposit. The sharp decline in discount rates in early 1933 naturally made the banks disinclined to take up Treasury bills, especially as tender issues of Treasury bills were being steadily reduced during this period. The banks' investments therefore received a new impetus, for advances were still steadily falling. Deposits also continued to rise up to the middle of 1933; and now a new tendency showed itself; for bankers' deposits at the Bank of England started to rise. There was a plethora of credit; plenty of Stock Exchange activity; but somehow the credit did not appear to be getting into enterprise. The Bank of England's holdings of Government Securities had risen from £35·7 millions at the end of March, 1932, to £57·7 millions at the end of March, 1933, and to £77·1 millions at the end of March, 1934. Its gold holdings were rising—at the old gold parity—over the same period from £120 millions to £192 millions. The note circulation, which had stood about £375 millions in 1928 at the ruling level of prices and production, was about £355 millions in 1931, and then rose each year to an average of about £380 millions in 1934. In the autumn of 1933 began that measure of domestic "recovery" which we are still enjoying. It was due to a vague combination of lower interest-rates, speculation in gold-mining shares, the effects of the 1932 tariff, a moderate credit expansion, and renewed consumers' demand due to a certain amount of dis-saving. At that time in 1933, the monthly average of the banks' deposits was at its highest, that of Treasury Bills outstanding was at its peak, so was that of the banks' investments. Bankers' advances were at their lowest. Thereafter, the Government funded part of the floating debt; the banks' discounts fell away; advances stopped falling; deposits began to fall; the banks' investments to dwindle; but their balances at the Bank of England still kept up. The index of production then began to rise quickly.

A sidelight on this chronicle of depression is afforded by the velocity of circulation of bank money. It normally slows down in a depression. It did so in this case. In the middle of 1930 total bank clearings in this country began to fall; they fell to a low point in 1932, about 75 per cent. of their 1930 level. With the advent of recovery at the end of 1933 they began to go up.

But while everyone was competing for " liquidity " in the gilt-edged market; while the proud possessors of liquid funds were buying equities, thereby discounting the future earnings of industrial concerns likely to benefit from better domestic trade; while the long-term and short-term rates of interest were falling steadily to new low levels—what was happening to the new capital market? Where was new enterprise getting its capital—if, indeed, it was *new* enterprise in that sense?

A co-ordinated market for long-term capital does not exist in this country. New enterprise can raise new capital *via* the Stock Exchange; it can be financed by private bankers or issue houses pending " flotation " or " Stock Exchange introduction." More often than not, what looks like an issue of " new " capital is merely the transfer to the public through the Stock Exchange of capital formerly held in private hands. Insurance companies and building societies will provide new capital for constructional purposes, for example. Again, in recent years there has been a tendency to finance new capital works out of *ad hoc* accumulations by big concerns; net profits have been " ploughed back," or reserves accumulated. The new capital market is not then necessary to those concerns, for the time being. Nevertheless, the transfer of private capital to ownership by shareholders renders the former private capital liquid again. The figures of new capital issues in the London market since 1928 are, therefore, not without interest. The following Table (compiled from the quarterly analyses published in *The Economist*) gives new capital issues on the London market quarter by quarter since January, 1928. The figures exclude all issues for conversion purposes, as far as these can be ascertained.

The outstanding features of this Table are the virtually complete cessation of foreign lending since 1929, and the decline in net new borrowing between 1930 and 1934. What little new borrowing has taken place for abroad has been almost exclusively for gold-mining ventures, owing to the adventitious premium

upon gold-production consequent upon the world's currency chaos. Much Dominion borrowing must have been ultimately for "capital transfer" purposes, though this may not have appeared in the prospectuses; and of the non-Government

TABLE II

United Kingdom : New Capital Issues, 1928–34

Year.	Qr.	Total.	United Kingdom.		British Countries Overseas.		Foreign.		U.K. Local Govt., Public Boards and Corporations.	U.K. Mainly Private Enterprise.
			Govt.	Other.	Govt.	Other.	Govt.	Other.		
		£mn.	£mn.	£mn.	£mn.	£mn.	£mn.	£mn.	£mn.	£mn.
	1	169·0	85·8	48·6	17·9	3·7	4·8	8·3	1·0	47·6
1928	2	75·7	Dr.0·5	50·7	13·5	5·1	0·9	6·0	9·0	41·7
	3	45·9	Dr.0·9	28·0	6·9	5·1	4·6	2·3	Nil	28·0
	4	78·4	Dr.0·5	52·4	1·9	9·0	5·6	9·8	4·9	47·5
	1	96·9	1·9	56·2	23·6	2·8	3·7	8·8	0·3	55·9
	2	77·5	Dr.0·3	47·6	Nil	23·6	Nil	6·6	7·5	40·1
1929	3	18·7	Dr.1·4	12·7	2·8	3·5	Nil	1·0	Nil	12·7
	4	92·1	65·2	16·1	Nil	4·7	Nil	6·2	0·5	15·6
	1	87·7	38·4	29·9	14·6	1·5	Nil	3·4	15·9	14·0
	2	82·0	1·6	36·7	12·4	8·7	18·5	4·0	17·1	19·6
1930	3	22·9	3·8	12·7	0·3	0·7	2·8	2·6	Nil	12·7
	4	75·2	21·8	25·7	21·8	1·5	Nil	4·4	8·7	17·0
	1	45·2	6·2	19·8	12·8	2·5	1·7	2·2	2·7	17·1
	2	44·1	4·0	14·6	14·9	5·4	Nil	5·1	3·5	11·1
1931	3	9·0	2·3	3·7	2·9	Nil	Nil	0·1	0·5	3·2
	4	3·9	Dr.1·8	5·7	Nil	Negligible	Nil	Negligible	1·3	4·4
	1	17·7	Dr.3·0	15·8	4·1	0·9	Nil	Nil	9·8	6·0
	2	145·9	106·2	27·3	11·9	0·5	Nil	Nil	17·1	10·2
1932	3	Dr.1·0	Dr.1·5	0·4	Nil	Nil	Nil	Negligible	—	0·4
	4	26·2	1·1	16·8	7·8	0·4	Nil	0·3	1·9	14·9
	1	29·0	8·5	18·2	2·1	0·2	Nil	Negligible	9·5	8·7
	2	81·8	52·9	21·6	4·9	1·4	1·0	Nil	7·5	14·1
1933	3	116·3	89·4	6·8	15·0	0·8	4·3	Nil	3·7	3·1
	4	17·7	Nil	12·8	2·2	2·6	Nil	Negligible	3·8	9·0
	1	20·1	1·3	14·0	1·5	2·3	Nil	0·9	5·7	8·3
1934	2	76·8	41·6	21·3	7·0	6·9	Nil	0·2	6·3	15·0
	3	28·5	Dr.0·2	22·1	Nil	6·3	Nil	0·3	4·0	18·1
	4	43·7	1·4	36·2	Nil	6·0	Nil	0·1	20·2	16·0

borrowings for British countries, the bulk again is for gold-mining in South, West and East Africa and Australia. We are left with the lion's share of the new borrowing during the crisis, which has been on home account. The British Government has funded floating debt and otherwise put itself in funds; and so we come to home non-Government new borrowing.

New issues on home account other than those by the Government can be roughly divided into two main groups: those by local bodies, public boards and big public utility corporations on the one hand, and those by the remainder, which will be "mainly private enterprise." These have been set out separately in the last two columns of Table II above. The courses of the two kinds of home non-Government new borrowing are illuminating. The proportion of the total non-Government new borrowing raised by local bodies, public boards and big corporations has steadily increased during the depression; while the proportion raised by "mainly private enterprise" fell to a very low point in 1932. Since then, it has revived somewhat, especially during last year; but the share of the total of new non-Government issues taken by the local bodies and public boards and corporations has remained at two-thirds and three-quarters of the new borrowings by "mainly private enterprise," while in 1928 and 1929 it formed but an insignificant fraction. In the years of depression there have been heavy borrowings for the Central Electricity Board, for joint district electricity supply undertakings, and for some big county boroughs; but since 1930 local bodies as a whole have not been encouraged to come into the new capital market. It therefore seems from these figures that neither the 1932 tariff nor the deliberate policy of "cheaper money" has impelled British enterprise to call upon the new capital market; and this conclusion seems warranted when all allowance is made for the fall in prices. Those concerns which have borrowed new capital in the market are in the main coal, iron, steel, automobile, and consumption-goods producers in general.

Now this relative "shyness" of the new capital market on the part of British industry is a peculiar feature in the present situation. It may mean that the capital is not needed at all; or that it is already available through other channels; or that even the present low rate of interest on long-term capital is too high. The third alternative seems excluded as far as existing concerns go, for the figures of the net profits of industry published in *The Economist* quarter by quarter show that *certain* branches of industry, notably those working for the home market, are now extremely profitable. Can we find other explanations of the piling-up of liquid funds?

In this country since 1929 there have been several factors at work which have cast doubts on the practicability of the

normal solutions of a depression: cheaper money and "let-well-alone." First, the world-wide currency uncertainties and the British Government's embargo on foreign loans and virtual control of the *tempo* in the new capital market have combined to narrow the channels of new investment. Secondly, we became in 1932 a high-tariff country for certain very important items in world trade, e.g., iron and steel and agricultural produce (though the latter was worked through quotas). Thirdly, as a result of both the foregoing factors, much of British industry was rendered more "liquid" than it need have been if more avenues of exchange had been left open. For example, *The Economist* reported on November 11th, 1934 (p. 833), that the liquid assets of ten representative British companies had increased from £19·3 millions in 1932 to £21 millions in 1934; and the same journal on August 25th, 1934, reported (p. 368) that the total liquid assets of 15 oil companies alone amounted to £68·8 millions in 1934. Fourthly, the very tendency to "get liquid" became general. The generalisation of this tendency was due, in a considerable measure, to the inclination of producers to carry lower stocks,—partly because of the depressed levels of activity, partly because of increased technical efficiency and speeding-up of productive processes, and partly because of the catastrophic fall in the prices of the principal raw materials of industry. Fifthly, the fall in these prices itself, coupled with the tendency of producers to hold smaller stocks, lessened the community's need for the circulating capital and credit operations normally provided by the banking system. Thus, the superabundance of money became more pronounced; financial institutions took over investments from industrial concerns; and the demand for banking accommodation slackened. Sixthly, the lowering of the rate of interest had stimulated one branch of capital construction of which interest is an appreciable part of the cost—house-building by private enterprise for middle and lower-middle class owners. To a very large extent, the building societies and insurance companies financed this movement; but it had a cumulative effect on the demand for home-produced goods, e.g., iron and steel, bricks, glass, furniture, electrical and other fittings, textiles, etc.—and most of these were being turned out behind the tariff after 1932. Mr. Colin Clark has recently* estimated that over half the annual total

* London and Cambridge Economic Service, Special Memorandum No. 38.

of home capital investment in 1930 was in building and contracting, and that one-third of the annual total of fixed capital investment in that year was for repairs and maintenance work—which leaves a net total of £398 millions for new capital investment and obsolescence provision together in 1930. Of this net figure, £246 millions is accounted for by building and contracting. Since then, the proportion of the total of fixed capital investment absorbed by building and contracting can hardly have fallen and may well have risen. Finally, as an explanation of the "shyness" of the new capital market on the part of the "private enterprise" bulk of British industry we can only refer, in passing, to the effects of the slump in world trade and of the new British tariff, which, together, have rendered former fixed capital redundant; have increased the urge for liquidity; and have restored profitability in British industry at lower levels of production.

In these circumstances the future course of interest rates becomes a crucial question, conditioning the whole development of recovery in this country. The velocity of circulation of money is now rising, but there is a plethora of money lying idle in the banking system and in other repositories of savings and liquid assets. It is obvious in the United States that one can lead the capitalist horse to the water but one cannot make him drink; so in this country, the moderate credit expansion and the moderate degree of domestic recovery which we have had since the autumn of 1933 have not been able to overcome the prevailing desire of private capital-owners to "stay liquid." Nor have they been able to hold out to *entrepreneurs* hopes of making commercial profits larger than the rate of interest on new long-term capital investment. The economic frame within which recovery has come about is narrower than in 1928 or 1925—narrower even than in 1930; the trading world has contracted; but there has been a certain amount of protection-boom in this country.

What lies ahead in 1935? It may be that the dead weight of cheaper and cheaper money, of liquid surplus funds, and of current savings will overcome the inertia of investors and borrowers alike—will reinstate "private enterprise" as the performer of risk-bearing. But there are few indications at present, after three full years of waiting, that this "automatic" solution will in fact succeed. Indeed, it may well be that our economic system itself, by this time, does not permit, by its

very rigidity and by the growth of institutional activities, of such a solution—at least, not without a degree of scrapping and distortion which, for social and political reasons, would be unthinkable. The next step in order to secure and foster recovery may have to be the deliberate canalisation of savings by the Government or special bodies into certain lines of production, on certain conditions. After all, the Government alone controls the investors' confidence; it may have to give proof of its *bona fides* and good intentions. One line of activity can at once be indicated—the building of houses to let at low rents to working-class tenants. It remains to be seen whether the Government's latest housing plans will *rapidly* involve an expansion in new capital construction.

But there are pitfalls. One of them is the extent to which public works on borrowed money create a redundancy of capital equipment in certain lines of industry, which only appears *after* the initial impetus of the public works has been expended. Another is the rapid increase of prices in the contracting industries supplying the materials of the public works schemes—this might easily wreck the Government's housing programme. But it is becoming clear that the scope of Government and public utility enterprise is likely to increase in the future; and that, on the other hand, mere credit expansion without any control of new investment and without any public measures to make new investment possible, is not enough. On that showing, interest rates *could* become wholly negative without any long-term investment becoming practicable or attractive. The new money and credit could still career about the narrow City circles, without doing much more than increase bank deposits and investments. It may be that the world will proceed further on the rake's progress of economic nationalism and self-sufficiency; that all countries will in future prefer lower real incomes—" a poore thing but mine owne "—than might be possible by international specialisation and exchange. If that is to be the framework for our progress in 1935, domestic recovery will have to be kept going by positive action in two spheres: one to keep down the rate of interest—the other deliberately to canalise long-term investment into the most productive channels under Government ægis. Even then, it will be no easy task to avoid errors. But that task is the ineluctable concomitant of " managing " a nation's economy.

D. Graham Hutton.

***The Bank publishes from time to time in this Monthly Review signed articles by exponents of different theories on questions of public interest. The Bank is not necessarily in agreement with the views expressed in these articles.*

The Planning of British Agriculture

THE FARMERS' POINT OF VIEW

Contributed by the General Secretary of the National Farmers' Union.

THE criticism of the Government's agricultural policy which was published in the November issue of the REVIEW was naturally read with considerable interest in agricultural circles and the general view taken of it was that Professor Robbins had entirely failed to appreciate the true position of British agriculture in its relation alike to urban industry within these islands and to the competition to which it has been and remains exposed from abroad. Fundamentally, of course, the criticism of the Government's policy was not directed to Mr. Walter Elliot, but to the farmers of Great Britain themselves who have elected to make use of the Agricultural Marketing Acts of 1931 and 1933. And the disposition of farmers is to retort : " We have used the powers offered us by all parties in Parliament. We had no precedent to guide us in framing our marketing schemes and no doubt we shall have to amend their provisions in the light of experience before our schemes function with the maximum smoothness and efficiency, but we *have* got together and in that respect at least we have been more successful than the political economists who seek to criticise our efforts, since they seem to have failed entirely to agree upon any programme of action which would commend itself to all parties in Parliament as a means of ridding the nation of industrial depression."

The root of the criticism of the policy of agricultural planning is contained in the question raised by Professor Robbins : " Is it generally desired that a man who is willing to serve the public at a lower price should be legally prevented from doing so in the interest of high cost producers ? " If that question be answered in the negative then, of course, the country must be prepared to scrap all that has been achieved

over a long period of years by the trade union movement. The fair wages clause in Government contracts and the contracts of local authorities must go, along with the Agricultural Wages Act. The Trade Boards Act must go, along with the legislation which controls the output of our coal mines. And so on. On the other hand, if the community at large desire to exhaust every effort to maintain the general standard of living, agriculture must receive equality of treatment with other industries.

The point that agriculture is entitled to receive equality of treatment is one which Professor Robbins seemed to ignore. He stated, for example, that " the zeal of the present Minister of Agriculture has already committed the country to subsidies, open and concealed, running into several millions of pounds per annum," and he referred in particular to " the £35 millions which has been paid to the producers of sugar beet." Well, it simply is not the case that £35 millions has been paid to the producers of sugar beet. It is estimated that not more than half of that sum has gone to the growers—the balance has gone to the factories and has served to increase the number of factories producing beet sugar in this country and the number of workers engaged in the industry. Such public money as has been expended in recent years for the benefit of the agricultural industry, e.g., under the Cattle Industry (Emergency Provisions) Act, the Milk Act or the Wheat Act, has all been spent to maintain employment in the industry, and the activities of the Agricultural Wages Board attest that employees in the industry have been among the principal beneficiaries. But there is another side to the picture to which Mr. Elliot's critics never draw attention. For years past vast sums of public money—infinitely greater than those expended for the benefit of agriculture—have been devoted annually to the direct advantage of urban industries. Many millions have been spent on housing; millions have been spent on the roads; scores of millions have been spent under the Unemployment Insurance Acts, not on maintaining people in employment but on maintaining them in idleness. If we are to discuss the utilisation of State subsidies it is quite arguable that the few millions that have been spent on the countryside have been expended just as beneficially from the national standpoint as have the gigantic sums, amounting in the last fifteen years to the best part of £400 millions, which have been devoted to non-agricultural purposes.

It was probably inevitable that critics of agricultural planning should invoke our "traditional policy" of buying in the "cheapest" market. Our "traditional policy" did not help our export industries or the shipping trade—let alone the Government—to any tangible extent when they were faced with the difficulty of placing goods on an overseas market, surrounded by often prohibitive customs duties and other restrictions to imports, with in many cases the added complication and delay of obtaining payment for them. These were the circumstances that led directly to the closing of what hitherto had been the only free market in the world. But for that action the position of our producers—agricultural and manufacturing—would swiftly have become untenable. Is there anyone who seriously believes that, had *laissez faire* continued to prevail, had we permitted the virtual destruction of our agriculture and the paralysis of our urban industries, we could have assured the maintenance of food supplies at reasonable prices and the purchasing power of the consuming public?

If it be true—as, obviously, it is—that the policy of protecting our home market was forced upon us by the growth of economic nationalism abroad, any suggestion that we are protecting production "that otherwise would be unprofitable" is simply meaningless as a criticism of the Government's policy. The towns benefit directly from the maintenance of production in our agricultural areas: the diminution in unemployment would have been markedly arrested had the Government excluded the problems of the countryside from their plans.

Talk of "sacrificing" Dominion producers for the benefit of the home farmer is simply a bogey. There is no sign that the Dominions have it in mind to adopt our "traditional policy." They still accord first place in their home markets to their own home producers. No responsible leader of political thought in any of the Dominions has ever denied the right of the Mother Country to adopt and pursue a similar policy. The Ottawa Agreements Act constitutes an express recognition of these facts and, although certain aspects of these Agreements and of the Agreements with Argentina and Denmark have been criticised by British farmers, it remains the general hope and expectation that when these Agreements come to be revised there will be full accord between the spokesmen of home and Dominion interests on the basis of the policy of priority that has been preached with such notable clarity by Mr. Stanley Bruce.

We are told that quota regulation of imports will gravely complicate our economic relations with other powers and with the Dominions and that it must inevitably impose grave obstacles to the achievement of world recovery. "Is it not unfortunate," it is asked, "that we who have so much more than most to gain from a restoration of international trade should just at this moment be leading the van in the other direction?" The simple fact, of course, is that we are not leading the van. Our efforts to give a reasonable measure of security to our productive industries are the direct outcome of the steps taken by other nations to protect their own home production and it is far more likely that the policy embodied in the Agricultural Marketing Acts and the Import Duties Act will provide a means of reopening channels of international trade which are now blocked than that a policy of suffering the gradual destruction of our agricultural and manufacturing industries would have contributed to that end.

Professor Robbins, it is to be feared, takes an entirely wrong view of what is involved in the planning now proceeding in British agriculture. The side of the case which he seemed to ignore in his article was admirably expressed in the "Economic Commentary" on "The Agricultural Situation in 1932–3," issued by the International Institute of Agriculture, as follows:—

> "Economic planning, as applied on a national scale by a Government, with a view to achieving greater stability in the economic system and to improving the economic and social conditions of the country generally, essentially implies a comprehensive scheme of co-ordination of economic activities. Such planning may involve a limitation of output in the overgrown industries, as well as an increase of production in industries which lag behind the rest and must be expanded, if the balance within the economic system is to be achieved. Indeed, since the ultimate purpose of planning should always be to increase, and by no means to reduce, the wealth and prosperity of the community, the immediate object of planning should be the balancing of the various branches of production by increasing, rather than by diminishing, production all round. Restriction ought to be considered only in extreme cases, with regard to branches of production which have so far outgrown the existing capacity of the market for their

products as to need pruning. During an economic depression, when relative over-production in certain industries may have to be eliminated at all costs, in order to restore some sort of working balance in the economic system, planning may have in the first instance to consider a reduction of output in the branches of production which have not kept pace with the diminution of output in other industries. But such policy of restriction, in a well-conceived system of planning, can only appear as a temporary expedient, necessary to put the various branches of production in a state of initial equilibrium, and an effort at an all-round expansion of economic activities must constitute the next step.

This applies to farming more than to any other industry, since agricultural production during the depression, as we have had occasion to point out before, has refused to follow the general movement towards a diminution of output, and, in some cases, has actually increased its production. Here, as a temporary emergency measure, a reduction of output may be necessary in order to permit a return of farming to a condition of equilibrium between prices and costs; but it would be a fatal error to assume that economic planning in agriculture in future will have for its object mainly to keep the output of farm products within definite limits, as a means for keeping up prices.

Under normal economic conditions, agricultural production largely constitutes the limiting factor of economic expansion generally; and to keep it down would mean putting obstacles in the way of general economic progress."

It is quite inaccurate to suggest that the schemes which have been, and are being, put forward under the Agricultural Marketing Acts are calculated to hamper productive efficiency and to secure " profits for the most inefficient farm which the Board sees fit to keep in cultivation," and it is just as inaccurate to suggest that " there is no limit to the process which Mr. Elliot has inaugurated save the complete socialisation of British agriculture." The promoters of marketing schemes are free, of course, to take very wide powers under the Acts, but it is quite clear that under any of the existing schemes the greatest gains must accrue to the most efficient producers. The boards administering the schemes have in the very nature of things

had to face very great difficulties. As has already been indicated, they had no precedents to guide them and the process of gaining experience has proved, and probably will continue to prove, expensive. As is always the case, the discontented elements amongst registered producers have been far more vocal than the great majority, who are determined that the marketing schemes shall be a success. Remarkable progress has, in fact, been achieved within the space of a few short months, and it is very evident that a firm determination exists to secure the successful operation of the marketing schemes on the essential basis of producer-control and the encouragement of individual initiative within the provisions of the schemes.

Professor Robbins concluded his article by balancing what in his view are the "gains" and "costs" of agricultural planning. From the standpoint of the agriculturist the gains that are being achieved are primarily the stabilisation of agricultural commodity prices at a reasonable level and the stabilisation of agriculture itself as a customer of the towns, thus preserving the productive efficiency of our manufacturing industries and their competitive power in overseas markets. The policy of the Agricultural Marketing Acts is to facilitate the organisation of the market as a whole; it is, therefore, properly to be regarded as a constructive contribution to the restoration of profitable world trade.

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The Planning of British Agriculture

A REJOINDER

By Lionel Robbins.

MY original article was concerned mainly with three issues : (i) the gains and losses of the general policy of protection to agriculture ; (ii) the merits and demerits of the quota system of import regulation ; (iii) the regulation of the home market by the apparatus cf marketing boards. It will be convenient if I reply to the arguments of my distinguished critics under the same headings and in a similar order.

(i) As regards the gains and losses of the general policy of protection to agriculture, I do not think it is necessary to add very much to my original argument. It was my contention that there was an obvious gain to agriculture, but that it was accompanied by losses to the rest of the community in the shape of prices higher than would otherwise have prevailed and a tendency to a contraction of exports—in the last analysis a tendency to a less economical use of the country's resources from the point of view of demand than would have otherwise been the case. My critics spend much time in commenting on different aspects of this analysis. But they do not seem to me to shake its essential accuracy. The General Secretary of the Farmers' Union argues that the gain is one to which farmers are entitled. On the assumption that if you grant a subsidy or a tariff to some industries the others are entitled to a similar privilege, there is a certain force in this argument. But it does not touch the contention that the subsidy or the tariff involves an ultimate loss elsewhere. Sir Christopher Clayton appears to deny that any such loss is probable. But I confess that I do not find his arguments convincing. I argued that the effect of tariffs or suchlike restriction to agricultural imports, is to make agricultural prices higher than otherwise would have been the case. Sir Christopher replies that agricultural prices are lower than in 1929. The two statements are not incompatible. I argued that if we buy less agricultural imports from abroad we shall export less goods and services to pay for them. Sir

Christopher says that this argument, " based on the circumstances that attended the industrial development of the nineteenth century, has no bearing on circumstances as they are to-day." I cannot believe that the statement that if you buy less from abroad you give less in exchange has this temporal limitation. The proposition that you cannot have your cake and eat it is surely as valid under King George V as it was under Queen Victoria. Nor can I accept the view that to exclude Imperial produce does no harm to Imperial producers; and a perusal of the Press fails to convince me that my scepticism is not shared by the representatives of the Dominions.

(ii) Much more immediately germane, however, to the issues of practical politics is the question of the relative merits of different kinds of protection. I argued that if we accept the view that it is desirable to afford some measure of protection to domestic agriculture it is still highly questionable whether the method of quota regulation is preferable to the traditional methods of protective duties. I pointed out that if a quota is rigid it involves the danger of severe fluctuations of prices, and that if it is flexible it involves continual dislocations of the channels of trade. I pointed out, too, the grave danger to the restoration of international trade in general if such methods of regulation were to be regarded as anything but emergency measures.

Unfortunately on these points my critics are highly reticent. I deplored the fact that just as the quota system was losing its popularity abroad* it should find a new lease of life here in the system of Mr. Elliot, and that we, who have so much to gain from the restoration of international trade, should just at this moment be leading the van in the opposite direction. To which my critics reply that we did not initiate the movement and that we have been forced into economic nationalism by the action of other countries. But this is surely neither here nor there. The point is, not whether we initiated the quota system, but whether we are now helping to sweep it away or whether we are setting up mechanisms of long run regulation which involve its perpetuation. It is because it has the latter effect that many of us view this aspect of the new agricultural policy with such apprehension. It is notorious that the raising of tariffs against the products of debtor countries makes the

* As witness the announcement of the intentions of the French Government issued since the publication of my article.

payment of international debt more difficult. In the case of quotas, the argument applies *a fortiori:* quotas may make international transfers impossible. Is the adoption of a policy of this sort really in the interests of a creditor nation? Abroad, quotas have never been regarded as anything but emergency measures. Mr. Elliot is an innovator at least in this, that he alone has supported them as instruments of long-term policy. It was on these points that my analysis focussed attention. But on these points my critics say nothing.

(iii) Nor are they very much less reticent in regard to my criticisms of the policy of compulsory marketing through central agencies. They appear to accept my view that, if there is not eventually to be complete chaos, control of price implies control of production—though, in regard to pigs and to milk, the Ministry of Agriculture continues to flounder in a sea of arrangements which ignore this obvious proposition. But they will not really face the full implications of the fact that this involves the exclusion of producers who find the prospects of production of the controlled products more attractive than other things, and the consequential congestion of production elsewhere and a probable progressive extension of control. Sir Christopher Clayton argues that the Boards exist " to balance supplies with demand." He does not seem to see that there is no such thing as " demand " irrespective of price, and that if prices are to be maintained higher than they otherwise would have been, then, whether he likes the words or not, this involves a *limitation* of supply. The General Secretary of the Farmers' Union does indeed come much nearer recognition of the point in question. But he evades its implications by a rhetorical question. I asked whether it was generally desired that a man who is willing to serve the public at a lower price should be prevented from doing so in the interests of high cost producers. If this is not so, he replies, do we not cut, not only at agricultural restrictionism, but also at the restrictive practices of trade unions? Precisely. I do not shirk the question. It may be difficult to reverse customs which have solidified over a long period of time. But are we really so pleased with the results of trade union restrictionism, that we wish to see them reproduced in spheres in which they have not yet made their appearance? Is the General Secretary of the Farmers' Union prepared to argue that if we add restriction to restriction we shall eventually arrive at a state of plenty?

But my criticisms did not stop at this point. I urged that even in the interests of the farmers themselves the new schemes were ultimately ill-conceived, that, under the regulations of the Boards, the progressive and go-ahead farmer would find his activities curbed in the interests of the less efficient, and that even if for a time on some products he found himself better off as a result of the manipulations of the Boards, he would eventually find his power to change and adapt to the exigencies of changing circumstances, so limited by the unco-ordinated regulations of this planless planning, that in the end he would be likely to be worse off than he was before it all started. This may be wrong, but it is really not disposed of by the mere assertion that the Boards are determined not to hamper efficiency. No doubt they have the best of intentions. My argument did not relate to that; it related to the logical implication of their very existence. That the methods of the Potato Board tend to perpetuate the *status quo* and hamper individual adaptation is not a question of the intentions of the members of the Board: it is a question of the form which their actions must take if they are to discharge the main object for which they exist.

The General Secretary of the Farmers' Union says that my article was "fundamentally" a criticism of the farmers of Great Britain. This was not so. My article in the main was concerned with issues of general policy for which the responsibility of farmers is no greater and no less than that of other members of the community. But, if on this particular point of the effects of the new policy on the efficiency and the freedom of farming in general, I expressed a certain scepticism, this sprang not from any hostility to the agricultural community, but rather from apprehension for its well-being. It is not a pleasant thought that the fine men who till our soil may be driven, by the distresses of the moment, to sell their birthright of the free use of their capital and ability to serve the consumer, for the short-lived gains of a mess of socialistic pottage.

LIONEL ROBBINS.

P.S.—It would be ungracious if I were not to admit error on a point on which the General Secretary of the Farmers' Union rightly takes me to task. My article refers on page 460 to "the £35 millions which has been paid to the producers of sugar beet." This, of course, is a misprint. The passage in question should read "to the producers of beet sugar."

The Progress of Trade during 1934

THE opening of a New Year renders it advisable to review the trade position in greater detail than is the custom in the note on the Industrial Situation published each month. With this object in view three special tables have been prepared, which deal respectively with unemployment, home trade indications, and the state of our external trade. The months selected for inclusion in these tables are November, 1932; November, 1933; May, 1934; and November, 1934. This procedure enables the progress made during 1934 to be compared with the progress of 1933, and by this means it is possible to test roughly the truth of the general belief that during 1934 trade was improving at a slower rate than in 1933. November was selected in preference to December, partly because not all the December statistics are yet available, and partly to avoid the disturbances caused by the Christmas and New Year holidays. May, 1934, is included in order to give a picture of the position in the middle of last year. When comparing the May statistics with those of November it must be remembered that many of the figures are subject to strong seasonal influences. The winter increase in unemployment is a case in point, but both raw material imports and exports of certain manufacturers (e.g., motor cars) also vary according to the time of year. Allowance must also be made for weather conditions. Thus, last November and December the house coal trade was undoubtedly affected by the abnormally mild weather which then prevailed.

The first table deals with unemployment. It includes those industries which normally provide the greatest amount of employment, and also the total figures for all industries, whether or not shown in detail in the table on page 94.

A cursory inspection of the table shows that unemployment decreased much less rapidly in 1934 than in 1933. This is both true of the total figure and of most of the figures relating to specific industries. The only industry where the rate of decrease was maintained was the coal industry, but the number nominally employed in the industry fell during the year ended July, 1934, from 1,024,000 to 982,000,* and this suggests that the apparent decrease in unemployment may mean that men

* This statement is subject to some slight qualification as the July, 1934, estimate is confined for the first time to workers between the ages of 16 to 64 inclusive.

formerly counted as unemployed have now dropped out of the industry altogether. The improvement in employment in shipbuilding and ship repairing has been well maintained, which confirms the more favourable reports from the ship-yards which have been received during the past year. On the other hand, the recovery in the cotton trade has been definitely arrested, for the total number nominally employed in the

UNEMPLOYMENT.

Industry	Number of Insured Persons in Industry, July, 1934	Number Unemployed					
						Change between	
		Nov., 1932	Nov., 1933	May, 1934	Nov., 1934	Nov., 1932, and Nov., 1933	Nov., 1933, and Nov., 1934
Coal Mining	982	356	311	293	251	– 45	– 60
Steel Melting and Iron Puddling	168	79	52	43	40	– 27	– 12
General Engineering ...	523	166	111	86	74	– 55	– 37
Motors, Cycles and Aircraft	272	46	31	23	24	– 15	– 7
Shipbuilding and Ship Repairing	159	115	93	81	74	– 22	– 19
Cotton	467	126	102	105	101	– 24	– 1
Wool	230	41	21	36	30	– 20	+ 9
Tailoring	209	43	33	15	34	– 10	+ 1
Boots and Shoes	139	24	22	24	21	– 2	– 1
Printing	280	29	26	25	24	– 3	– 2
Building	928	265	188	137	184	– 77	– 4
Public Works Contracting...	272	127	131	119	129	+ 4	– 2
Distributive Trades ...	2,005	247	230	216	225	– 17	– 5
Total (all Industries) ...	12,960	2,849	2,309	2,097	2,122	– 540	– 187

All figures in this table are quoted in thousands.

industry shrank between July, 1933 and 1934, from 500,000 to 467,000. Unemployment in the wool industries has also become worse. It also appears that, notwithstanding the activity of the building trades, the improvement in employment in these trades had practically reached its limit a year ago. It is, however, possible to take a more hopeful view when it is realised that the numbers nominally employed in the industry increased during the year ended July, 1934, from 884,000 to 928,000.

The next table deals with a miscellany of statistics relating to home production and business. It relates to the same months in 1932, 1933 and 1934 :—

PRODUCTION AND BUSINESS.

	Nov., 1932	Nov., 1933	May, 1934	Nov., 1934	Change between: Nov., 1932, and Nov., 1933	Change between: Nov., 1933, and Nov., 1934
Coal Production (million tons per week)	4·3	4·4	4·0	4·5	+ 0·1	+ 0·1
Pig-iron Production (thousand tons per month)	268	375	528	508	+ 107	+ 133
Steel Production (thousand tons per month)	474	695	780	766	+ 221	+ 71
Electricity Generation Index* (1923–24 = 100)	86·0	91·0	100·5	100·0	+ 5·0	+ 9·0
Building Activity Index† (1924 = 100) ...	156·0	185·0	191·0	222·0	+ 29·0	+ 37·0
Railway traffic receipts (£ millions for 4 weeks)—						
(*a*) Passenger	4·1	4·1	5·0	4·2	—	+ 0·1
(*b*) Goods...	6·3	6·8	5·9	6·9	+ 0·5	+ 0·1
(*c*) Total	10·4	10·9	11·0	11·1	+ 0·5	+ 0·2
Postal Traffic Receipts (£ thousand per day) ...	135	139	130	141	+ 4	+ 2
Retail Trade (change in value since same date in preceding year)	−1·9%	+2·8%	+7·7%	+3·9%	—	—
London Bank Clearings (£ million for 4 weeks)—						
(*a*) Metropolitan	121	164	128	134	+ 43	− 30
(*b*) Country ...	206	223	222	233	+ 17	+ 10
Provincial Bank Clearings (£ million per month) ...	102	107	102	111	+ 5	+ 4
The Economist Business Activity† Index (1924 = 100) ...	95·5	104·3	105·6	112·5	+ 8·8	+ 8·2

* Compiled by the British Electrical and Allied Manufacturers Association, and corrected for seasonal variation.

† Compiled by *The Economist*, and corrected for seasonal variation.

In the heavy industries, coal production is making very slow progress, though allowance must be made for the mildness of the weather during November, 1934. Pig-iron production keeps up well, but the recovery in steel manufacture has apparently slowed down. Electricity consumption, always a useful general index, presents a much more encouraging picture, but the improvement may reflect the growth in the use of electric power as well as the general trend of trade. The increase in building activity readily explains the theory that the present trade revival is to some extent based upon a "building boom." Railway traffic receipts are not so good, and

they definitely support the view that the rate of recovery has recently become retarded. On the other hand, the retail trade returns provide a welcome refutation of this view, and this is confirmed by the more recent reports of Christmas trade. Bank clearings are never an entirely satisfactory indication of the state of trade, for they include both financial and commercial transactions, but they apparently point to some slowing down of recovery. On the other hand, *The Economist* index number of business activity, which is based upon most of the statistics already quoted and upon other indicators as well, suggests that progress was nearly as rapid in 1934 as in the previous year. In particular it appears to emphasise the recovery in the second half of last year.

The table on the opposite page deals with an overseas trade position. Beginning with imports, the most disconcerting result is the slight drop in our imports of raw materials. This is directly traceable to the textile trades, and both the unemployment and export returns tell much the same story. Imports of iron ore and rubber are very good, and there is no doubt that both the heavy industries and motor car manufacture have kept up well. Among exports, the 1934 decline in coal shipments to some extent reflects the mild November of that year. Exports of iron and steel and machinery are good, but those of textile materials are bad. The decline in exports of motor cars is probably fortuitous, for October, 1934, showed an increase of 762. Re-export trade shows little tendency to move either up or down from its present attenuated level. Re-exports of wool are bad, while those of rubber are improving.

Superficially, the popular view of the trend of trade appears correct. Recovery was very rapid in the early stages of 1933, and the rate of progress has since become slower. This, however, is only natural. Our first task after the crisis of 1931 was to create conditions favourable to recovery. These included the restoration of confidence, the balancing of the budget, debt conversion and the lowering of interest, and the maintenance and demonstration of the stability of sterling. By early 1933 this work was complete and recovery had begun. The work of reconstruction had cleared the ground and had imparted the initial impact.

Movement under impact is always most rapid in its earliest stages and our trade revival has been no exception. Hence, it was not to be expected that the progress of 1934 should equal

Overseas Trade.

	Nov., 1932	Nov., 1933	May, 1934	Nov., 1934	Change between Nov., 1932, and Nov., 1933	Change between Nov., 1933, and Nov., 1934
Imports						
(*a*) Value—						
Foodstuffs (£ million) ...	34·3	32·0	29·6	32·5	− 2·3	+ 0·5
Raw Materials (£ million) ...	13·7	17·0	16·9	16·7	+ 3·3	− 0·3
Manufactured Goods (£ million)	13·2	14·5	14·9	15·2	+ 1·3	+ 0·7
Total (£ million)	61·5	63·7	61·7	64·7	+ 2·2	+ 1·0
(*b*) Quantities—						
Iron Ore and Scrap (tons thousand)	166	271	476	429	+ 105	+ 158
Raw Cotton (centals thousand)	1,446	1,641	1,029	999	+ 195	− 642
Sheep's and Lambs' Wool (centals thousand) ...	666	627	739	476	− 39	− 151
Rubber (centals thousand) ...	174	166	313	488	− 8	+ 322
Exports						
(*a*) Value—						
Foodstuffs (£ million) ...	3·2	2·9	2·4	3·0	− 0·3	+ 0·1
Raw Materials (£ million) ...	4·1	4·3	4·3	4·3	− 0·2	—
Manufactured Goods (£ million)	22·5	25·7	25·1	27·4	+ 3·2	+ 1·7
Total (£ million)	31·1	34·4	32·8	36·1	+ 3·3	+ 1·7
(*b*) Quantities—						
Coal (tons thousand) ...	3,391	3,607	3,648	3,318	+ 216	− 289
Iron and Steel (tons thousand)	170	184	191	220	+ 14	+ 36
Machinery (tons thousand) ...	22	28	30	31	+ 6	+ 3
Cotton Yarn (lbs. million) ...	9·9	12·7	11·3	10·6	+ 2·8	− 2·1
Cotton Piece-goods (sq. yds. thousand)	159·2	170·5	150·6	172·4	+ 11·3	+ 1·9
Woollen Tissues (sq. yds. thousand)	3,708	5,159	4,722	4,998	+1,451	− 161
Worsted Tissues (sq. yds. thousand)	1,814	2,730	2,335	2,206	+ 916	− 524
Linen Piece-goods (sq. yds. thousand)	5,906	6,025	8,563	5,996	+ 118	− 29
Motor Cars (number) ...	3,732	3,871	2,724	3,411	+ 39	− 460
Re-exports						
(*a*) Value—						
Total (£ million)	4·1	3·6	4·8	4·0	− 0·5	+ 0·4
(*b*) Quantities—						
Raw Cotton (centals thousand)	54	55	50	55	+ 1	—
Sheep's and Lambs' Wool (centals thousand) ...	265	140	284	136	− 125	− 4
Rubber (centals thousand) ...	40	73	88	128	+ 33	+ 55
Transhipments under Bond (£ million)	2·3	2·0	1·8	2·0	− 0·3	—

that of 1933, and its failure to do so does not therefore imply that the trade revival is nearing its end. So far as home trade and that of the sterling area are concerned there appears no reason why the present rate of progress, slow though it may be, should not continue for some time to come.

The main doubt is in connection with our external trade position. Here it may be said that politically the outlook for external trade is better, but from the economic standpoint there is much to be set upon both sides of the account. On the credit side, American trade is better, but it is still a toss-up whether the United States is on the threshold of a period of disguised inflation followed by collapse. The sterling area remains good, and both the Empire and certain of the South American republics are regaining some of their former purchasing power. On the other hand, the will and ability of Germany and much of Central Europe to purchase our goods remains very restricted. There are also signs that Italy is still moving tentatively in the direction of the German system of the regimentation of industry and expenditure on public works at home, coupled with a nominal adherence to the gold standard buttressed up by import and exchange restrictions in the field of foreign trade. The new Italian exchange restrictions (admittedly modified during recent weeks) seem to point in this direction. France, too, may be on the threshold of changes in financial and monetary policy, inspired by her need of finding a way of escape from the dilemma of an overvalued currency. This has created a further uncertainty, whose outcome depends to some extent upon the course of prices in the United States and the sterling area.

Still, it is possible to regard these difficulties too pessimistically. The vast majority of our population are engaged in working either for home or for sterling area trade, and the same is true of almost all our invested capital. Were the rest of the world to drop out, there would be undoubtedly some loss of employment, some loss of capital, some need for readjustment, but the loss and dislocation should not be beyond our power to remedy. Besides, this danger has not materialised yet, and there is no need to assume that it is going to do so. It is for these reasons that we suggest that the slower rate of progress noticeable during 1934 should not give rise to too great feelings of pessimism or to a fear that the termination of the trade revival is now at hand.

Notes of the Month

The Money Market.—The shortage of money at the end of the year was less than had been expected. Only £17 millions had to be borrowed from the Bank of England, and on the afternoon of December 31st there was a sudden drop in the rate for day-to-day money from 2–2½ per cent. to ½ per cent. The Bank was easily repaid during the following week, and money has since been comfortable with outside lenders changing ¼–½ per cent. The clearing banks continue to charge ½ per cent. for loans against eligible bills and 1 per cent. for other loans. The supply of money has been augmented by the return of over £30 millions of notes from circulation since Christmas, but revenue collection has taken a large amount off the market. Since the New Year, the discount market has been very idle. The Treasury bill tender rate has fallen to 3s. 10·91d. per cent. against 10s. 2·79d. per cent. on December 21st, this decline being mainly due to the seasonal reduction in the supply of Treasury bills. The latest rate is a record low rate since the issue of Treasury bills first began. These low rates have deterred bill-brokers from tendering, and consequently few hot Treasury bills have been available in the market. The rate for hot bills was a nominal $\frac{3}{16}$ per cent. at the end of January. At the end of 1934, the total supply of Treasury bills issued by tender was only £450 millions against £597 millions at the end of 1933. Normally the supply reaches its peak at this date, and during the ensuing quarter there is a rapid contraction. £450 millions is so low a figure that a contraction on the normal scale from that figure might place the discount market in a position of considerable difficulty. There are signs, however, that steps are being taken to mitigate the rate of decrease. Over the New Year, the Government borrowed a fair amount on Ways and Means from the Bank of England. This prevented the Treasury bill issue from rising to its full seasonal peak, and also meant that subsequent revenue receipts could be used in repaying the Bank and not in redeeming Treasury bills. Furthermore, by the end of 1934 Public Departments and other authorities had acquired large quantities of Treasury bills, and some of these were open to be redeemed. During the first four weeks of January, in fact, the tender issue of Treasury bills was only reduced by £17 millions, while other

issues were reduced by £16 millions. During the corresponding part of January, 1934, the reduction in tender issues amounted to as much as £50 millions, while other issues increased by £4·3 millions. All this means that the repayment of Treasury bills held by the banks and the discount market is being made much less rapid this year than it was twelve months ago.

The Foreign Exchanges.—Paris has been the most interesting centre during the past few weeks. Early in January M. Flandin's announcement of his intention to develop a market in Treasury bills, so as to relieve the Government from having continually to borrow at long-term, stimulated a sharp recovery in the rentes market which attracted funds to Paris. Sterling at this time was inclined to weaken against the franc. Since then Paris has been influenced by fears regarding the impending " gold clause " judgment of the United States Supreme Court. If this is adverse to the American Government's abrogation of the gold clause, there is a theory in Paris that the dollar will have to be restored to its former gold parity and that the American Treasury may at any moment cease buying gold at $35 per ounce. This theory has given rise to heavy French purchases of dollars coupled with a reluctance to ship gold. In consequence, on January 15th, the Paris quotation for dollars rose to Frs.15·48, or to well outside the gold export point of Frs.15·18, and after a period of greater steadiness on January 28th the rate once more rose to Frs.15·50. Sterling was naturally affected by these wide movements. On January 15th, the London rates moved to $4.83¾ and Frs.75⅛, respectively. They then returned to $4.88 and Frs.74⅛, but further nervousness developed a week later, and on January 28th sterling went back to $4.82 and Frs.74⅝. American banks, who felt a greater degree of assurance regarding the future dollar price of gold, have seized the opportunity to make heavy and profitable purchases of gold in London, and shipments to New York since January 10th have already exceeded £10 millions. These developments, coupled with the rise in French wholesale prices and some fears that the French Government is opening the door to inflation, have naturally weakened confidence in the franc, and the discount in London on three months' francs has widened from 8 to 39 centimes. Among other movements of the month has been a narrowing of the discount on registered marks, possibly because the German

authorities are permitting a freer use of these marks for financing German exports to the United States. There has been a change in the method of quoting the exchange rate on Buenos Aires. Hitherto the quotation has been in pence per peso, but from January 14th onwards the rate is being quoted in paper pesos per pound. The official rate is \$15 per £, while the average rate for the remittance of payments for imports into Argentina is about \$17 per £. The "free" rate, where free exchange is available, is rather over \$19 per £.

The Stock Exchange.—Markets have been more subdued this last month. Income tax payments must be reducing the resources at the disposal of investors, while there is also a general feeling that the rise during the closing months of last year had perhaps been a little too rapid. There has lately been some reaction in gilt-edged securities from the high level touched at the New Year, but the movement is not serious and it should establish a healthier position. In the foreign bond market, German bonds improved on the result of the Saar plebiscite, but Brazilian bonds have been weak owing to doubts regarding the future service of Brazil's sterling debt. Home rails have been dull. Traffics have ceased to show much improvement over those of the previous year, and there are still latent fears lest a demand for higher wages may once more be pressed. The Industrial market has also been quieter, and buying has become more selective. The oil market has been dominated by American news regarding the legality of the Government's attempts to regulate production, and share prices have been subject to fluctuations. Rubber shares have been dull, but some Paris support has at times been forthcoming. There has been some reaction in tea shares, but steadier conditions have lately prevailed. In the gold-mining share market, there has been a sudden burst of activity in West Australian shares due to reports of fresh gold findings in the Yellowdine district. This activity has since subsided, and dealers have transferred their interest to South African shares which have continued to advance. Base-metal mining shares have been irregular.

The Revenue Returns.—The last quarter of the financial year has now begun and henceforward the weekly returns will be scrutinised to see how the budget estimates are being

fulfilled. It is still too early to tell how the year's finances are working out in practice. The returns for the first nine months of the year were roughly in accordance with expectations. Tax revenue showed an increase of £5·0 millions over the first nine months of 1933–34. More active trade caused an increase of £6·1 millions in receipts from customs, while income tax to date showed an improvement of £8·7 millions—due to the fact that in July, 1933, only one-quarter of the tax on schedules B, D and E was payable, against one-half in July, 1934. Estate duties fell by £7·5 millions, solely because of certain windfall receipts in 1933–34. Non-tax revenue fell by £8·1 millions, owing to a decline in miscellaneous receipts, so that total revenue fell by £3·0 millions. Expenditure rose by £12·6 millions, owing to an expansion of £10·3 millions in supply services. The year's original estimates showed an increase of £12·3 millions over the actual expenditure of 1933–34, and several supplementary estimates have since been presented. The results for the fourth quarter of each year up to January 19th show a fall in income tax receipts from £37·2 to £33·0 millions, and as a result total ordinary revenue has contracted by £3·7 millions. This decline in income tax is due to the reduction in the standard rate, and the Chancellor budgeted for a net reduction over the whole year of £9·4 millions below last year's actual receipts. Expenditure for the fourth quarter to date shows a drop of £2·7 millions, mainly on the supply services, which is probably fortuitous. It is still impossible to forecast the final results, but expenditure including supplementary estimates is going to be greater than in 1933–34, and the final result depends largely on the buoyancy of the revenue.

Overseas Trade.—The December trade returns revealed no definite tendency. Total imports amounted to £63·3 millions, against £64·7 millions in November and £63·2 millions in December, 1933. The corresponding returns for raw material imports alone were £18·7 millions, against £16·7 millions for November and £18·9 millions for December, 1933. Exports of British goods were £34·3 millions, the November total being £36·1 millions, and the December, 1933, total £30·4 millions.

The complete returns for the year are summarised on page 103. Compared with 1931, 1932 and 1933, the 1934 results are satisfactory, but they are still far below the pre-depression level of 1929. In that year total imports came to £1,220·8 millions

and retained imports were £1,111·1 millions. Exports of British goods were £729·3 millions, and re-exports were £109·7 millions. The adverse trade balance was £381·8 millions, which was then fully covered by "invisible" items. This year the adverse trade balance is £284·9 millions, or £26·9 millions greater than a year ago. The final adverse balance of payments should not be excessive, as invisible items should show some improvement on the previous year.

Description.	Year, 1933	Year, 1934	Increase (+) or Decrease (−)
	£ mn.	£ mn.	£ mn.
Total Imports	675·0	732·3	+57·3
Retained Imports	625·9	681·0	+55·2
Raw Material Imports	180·4	209·7	+29·3
Manufactured Goods Imports	151·0	171·4	+20·4
Total Exports, British Goods	367·9	396·1	+28·2
Coal Exports	31·4	31·9	+ 0·5
Iron and Steel Exports	29·9	35·1	+ 5·2
Cotton Exports	58·9	59·1	+ 0·2
British Manufactured Goods Exports...	281·7	304·9	+23·2
Re-exports	49·1	51·3	+ 2·2
Total Exports	417·0	447·4	+30·4
Visible Trade Balance	−258·0	−284·9	−26·9

Commodity Prices.—A further slight rise in British wholesale prices occurred between December and January. Taking September, 1931, as 100, the average level over the whole of December was 106·5, while the figure for the last week of that month was 106·6. By the middle of January, the index figure had risen to 107·3, and although it reacted to 107·2 in the last week of January, wholesale prices still remain above their December level. The net movement is very small, but it is sufficient to indicate a general firmness of prices. The index number for January, 1934, was 107·7, so that there has been practically no net movement during the past twelve months. The British wholesale price-level in fact fluctuated within very narrow limits during the whole of 1934. Individual wholesale price movements since December have been rather irregular. Cereal prices are on the whole lower, while meat prices have had no definite tendency. Among other foodstuffs, butter and coffee are cheaper, but refined sugar is a shade dearer. Cotton prices have weakened slightly, but the remaining textile prices have advanced. Flax has nearly doubled in price

during the past year, and since December there has been a small but welcome recovery in raw wool. Non-ferrous metal prices have recently been irregular, while among miscellaneous materials there have been advances in rubber, linseed oil and tallow.

American wholesale prices have risen definitely during the past few weeks. At the end of January the index number stood at 118·3 (September, 1931 = 100). Compared with a year ago there has been a rise of about 13 per cent., whereas British prices are unchanged. Hence the over-valuation of sterling against the dollar has been greatly reduced during the past year. The downward trend of French wholesale prices has for the moment been arrested. Following the announcement of the change in French financial policy, there was a sharp rise of 1·7 per cent. in the second week of January from 77·1 to 78·4 (September, 1931 = 100). The index figure has since reacted to 77·7, or to the same level as at the end of December, so that there was no net change during the first three weeks of January. A year ago the index figure was as high as 87·6. Italian wholesale prices were subject to a limited rise during January from 85·3 to 85·8, while German wholesale prices remained unchanged.

The Ministry of Labour's cost-of-living index number for January was 43 per cent. above the basic figure of 100 representing the cost of living in July, 1914. This figure of 43 is one point below the figure of 44 for December, and one point above the figure of 42 registered on January 1st, 1934. The decline since December 1st is seasonal. Retail food prices fell during December from 27 to 25 per cent. above their level in July, 1914. This movement is again seasonal. A year ago, the index figure was 24. Thus retail prices and the cost of living were both practically unchanged during the past year.

Home Reports

Agriculture

England and Wales.—According to an official report, cultivation and sowing were practically normal at the end of December. It was estimated that the area sown to wheat was about 4 per cent. greater, the area under barley was about the same, and the area under oats was about 2 per cent. less than at the end of 1933. Autumn-sown corn appears to be strong and healthy, but in many districts plants are too forward for the time of year. Apart from some loss of condition in sheep folded on roots, cattle and sheep generally are doing well. Breeding ewes and hill sheep are in good condition. Milk yields are well maintained. Supplies of winter keep are expected to be sufficient.

Scotland.—The short spell of frost in the middle of January was beneficial to the soil and, with a return to milder weather, tillage has made steady progress, and work is well forward. In the produce markets supplies have usually been ample and, although oats have on occasion shown a slightly firmer tendency, all classes of grain are on the easy side, particularly barley, where the demand for distilling purposes shows no improvement. Potatoes are a shade firmer. In the livestock markets there have been increased supplies in all sections, particularly in the case of fat cattle and store pigs, but entries of store sheep have been small. Prices have been irregular, but the general tendency has been fairly firm.

Coal

Hull.—Practically all descriptions of export coal are in steady supply. Prices are slightly easier.

Newcastle-upon-Tyne.—The position for all classes of Northumberland steam coal has been fully maintained during January. The position for February is somewhat easier. Durham steam coal has been in good demand and collieries are well stemmed. Coking and gas coals are steady and bunkers still command improved prices. Coke is quiet, but prices are unchanged.

Sheffield.—The inland demand for coal shows a steady expansion. The export coal market is slightly more active, and enquiry for forward supplies shows an improvement. Household fuel is in good demand.

Cardiff.—Collieries are slightly better placed, especially for nuts, beans, peas and most qualities of smalls. New business for large coal is slow, especially for forward contracts. The statement of the French Premier that France is to reduce the imports of coal from the Saar from 4½ million tons annually to 2 million tons, during a period of six years, is of much interest to South Wales as it may ultimately result in increased imports by France from the United Kingdom. It is probable, however, that the immediate advantage of the reduction in the Saar imports will be to the benefit of the French mines.

Newport.—Foreign coal shipments in December amounted to 149,000 tons against 172,000 in November and 110,000 tons in December, 1933. Shipments foreign and coastwise from the docks averaged 53,600 tons per week, remaining at almost the same level as in November, but 12,000 tons above those of December, 1933. The returns for the last quarter of 1934 show an increase of 130,000 tons over the same quarter of 1933, while the total for 1934 amounts to 2,924,000 tons against 2,686,000 tons in 1933. The trade pact with the Irish Free State should result in increased shipments of Monmouthshire coal.

Swansea.—Best quality anthracites maintain the firm position which they held throughout the whole of 1934. Other qualities are in ample supply to meet all demands. Steam coals, which have been quiet for some time, still show no improvement.

East of Scotland.—In Fife there is no diminution in the demand for first-class steams and orders are booked for almost a month ahead. Third-class steams are steady and business in most kinds of washed fuels is good. The position is much the same in the Lothians, but steam coals are slightly less active.

Glasgow.—Collieries in all mining areas in Scotland are well employed. Some qualities of large coal are distinctly scarce for export, as in addition to a considerable demand from householders, gas and electricity works and industries, large quantities of round coal and smalls are being shipped against day-to-day orders, and contracts which were arranged some time

ago. New business with foreign countries is not very active, but some important contracts have been fixed. The outlook has definitely been brightened by the agreement between Britain and Poland with regard to their export business, and the " coal for cattle " agreement with the Irish Free State.

Iron and Steel

Birmingham.—Orders have come in well since the opening of the New Year. Ironfounders are busy and in some cases furnaces are actually drawing on stocks. Prices remain steady. Both producers and consumers are awaiting the result of the application for an increase in import duties and an indication from the chairman of the National Iron & Steel Federation of the activity expected. These factors tend to induce caution in buying, but actual demand for pig-iron and steel is fairly insistent.

Sheffield.—The heavy steel section continues to work at practically full capacity. Orders and enquiries on hand are highly satisfactory and these conditions are likely to continue. The output of pig-iron for the whole country for 1934 was 5,978,500 tons, compared with 4,136,000 tons for 1933. Steel production was 8,859,700 tons, compared with 7,024,000 tons in 1933.

Tees-side.—The first month of the year has been characterised by cheerful conditions and in particular by the improvement in the tonnage of steel orders received. The demand for structural steel is especially good and Russia has again entered the market for plates. Enquiry for shipbuilding specifications has improved slightly, but rail mills are very short of work. Pig-iron makers have good order books and find that outstanding contracts are absorbing a large proportion of their output. There are now 27 blast furnaces in operation on the North East coast, including an additional furnace on ferro-manganese.

Wolverhampton.—Demand is steady and the output from mills and furnaces is maintained. Foundries are active and firms supplying pressings for the motor and other trades are well supplied with orders.

Newport.—Imports for the last quarter of 1934 amounted to 95,000 tons against 78,000 tons in the previous quarter and 70,000 tons in the corresponding quarter of 1933. Exports, including tinplates, amounted to 51,000 tons against 43,000 tons in the previous quarter and 40,000 tons in the last quarter of 1933. Imports for 1934 totalled 357,000 tons against 242,000 tons in 1933 and 450,000 tons in 1932. Exports for 1934 totalled 172,000 tons against 161,000 tons in 1933 and 160,000 tons in 1932. Home demand continues satisfactory and prospects are good.

Swansea.—The tinplate market continues to be quiet and the tone steady. Several makers have fair order books, but the industry is not busy owing to the shortage of specifications. The reduced production is affecting the local steel works, which are now not so well employed.

Glasgow.—New business is not brisk and production is considerably below capacity at the iron and steel works in the West of Scotland. In the heavy steel trades shipbuilding materials are in good demand and there is a better market for constructional steel. Export business, however, shows little improvement. Tube makers are only moderately well employed. Sheet makers are chiefly engaged on home orders, heavy gauges being most in demand. The wrought iron and steel re-rolling trade are still very quiet. The output of pig-iron from the twelve furnaces in blast is being well absorbed.

Engineering

Birmingham.—Motor manufacturers still have full order books and motor accessories manufacturers continue to be extremely busy. The cycle trade is also prospering. In the chromium, electro-plating and polishing trades, conditions continue satisfactory, but prices are rather narrow.

Leeds.—The improvement in the lighter sections of the trade is maintained.

Sheffield.—Conditions in the general engineering section remain steady with better prospects in view. Practically all sections of the tool trades are well employed, and both home and export trade are showing further improvement.

Wolverhampton.—Structural engineers are moderately busy. Electrical engineers in particular have good orders on hand. The demand for pumps and pumping machinery indicates a slight expansion, but conditions are far from satisfactory. The tube trade shows some improvement and specialists in tubular safety rails and steel flooring are well employed. There has been a rapid extension in local production of mercury arc rectifiers and export demand is growing. The passenger vehicle section of the motor trade is fairly good and demand for lighter goods vehicles is well maintained.

Glasgow.—Clyde shipbuilding and engineering firms are steadily improving their position. There are now more shipyards operating in the Clyde area than at any time since 1930. The improvement in shipbuilding has helped the marine engineering establishments, which are busier now than for some years past. Among the more important work on hand at present are the engines for the *Queen Mary* and turbines for two large cruisers. Some of the firms who build auxiliary machinery are now working night and day.

Metal and Hardware Trades

Birmingham.—There is still no change in the cold rolled brass and copper section. Raw material prices remain steady. Demand is slow owing to seasonal causes. The year 1934 showed an improvement in exports and this improvement was maintained during January.

Sheffield.—The year started very quietly in the cutlery and plate sections. The scissor and safety razor blade branches are fairly busy, but orders are badly needed by other sections of the trade. The demand for articles of sterling silver shows a slight improvement.

Wolverhampton.—The hardware trades have been well maintained in spite of seasonal fluctuations in certain sections. Demand for fencing material is fairly good and orders for building requisites are good. The lock trade started well in the New Year and factory extensions are in progress. Output in the hollow-ware trade is steady. The cast section, however, still suffers from reduced export business.

Cotton

Liverpool.—On the " futures " market conditions have been dull for the whole of the month and price fluctuations are still confined within very narrow limits. A considerable quantity of cotton is reported to have been sold by the United States Government but has been readily absorbed, and so long as the present policy is continued there appears little prospect of a revival of speculative interest. It is announced in the United States that the system of crop restriction will be continued in respect of the new crop and the tax-free quota under the Bankhead Bill has been fixed at 10½ million bales, which is 1½ millions below the figure expected. Cotton ginned in excess of this quota will be subject to a tax of 50 per cent. of its value. Up to the present, however, the plans of the United States Government to raise the price of cotton to 15 cents per lb. have been handicapped by the decrease in the use of American cotton, caused by the quantity of outside growths available. With a view to removing this factor in the coming season it is reported that the Government is seeking an agreement with countries producing outside growths, notably Brazil. A disturbing element in the market lately has been the uncertainty regarding the findings of the Supreme Court as to the legality of the United States Government in abrogating the Gold Clause in Government bonds. On the Spot market more business has been done in American growths, as an increased quantity is now available. Trade in outside growths continues active, especially in Brazilian. Manchester reports a quiet market with a rather unsettled tone. There has been a fair enquiry from India, but business has been confined to small lots, and buyers are inclined to mistrust present prices.

Wool

Bradford.—The finer qualities of merino continue to be dearer, owing to the large demand from Germany. Combers are busy and machinery activity is well maintained.

Huddersfield.—A few manufacturers are fairly busy, but, generally speaking, business is dull in all sections of the textile industry.

Hawick.—There is little change in the Border tweed trade. Almost all of the factories are on short time and orders are slow

in coming forward. Hosiery and underwear manufacturers are rather better employed. The demand for knitted woollen goods for outer wear has improved, but is still below the average. Dyers and spinners are quiet. Wool prices generally are inclined to harden.

Other Textiles

Dundee.—After a considerable improvement in all branches of the jute market, quieter conditions have again been experienced, probably owing to the recent fall in raw jute prices and lack of interest on the part of buyers. Spinners and manufacturers, however, are well supplied with orders and therefore are refusing to lower their prices.

Dunfermline.—Business in the Fifeshire linen trade has been moving rather slowly since the New Year. Prices, however, continue to rise with the cost of the raw material and the whole position is very strong, notwithstanding a certain reluctance on the part of buyers to follow the increase. The demand for flax and tow has fallen away slightly, but prices tend to increase and offers of fibre are somewhat sparingly made.

Clothing, Leather and Boots

Leeds.—The clothing trade is entering upon the busiest season of the year and employment is likely to be very good for the next few months.

Northampton.—Some shoe manufacturers are working full time and the general position is better than it has been for some months. Export trade, however, is still depressed. Leather prices tend to improve.

Shipping

Hull.—There is no great demand for tonnage. Rates rule steady for all directions.

Liverpool.—Demand for outward coal tonnage showed some improvement in the early part of January, but with ample supplies available an easier tone has since prevailed. Homewards from the River Plate business is only of moderate dimensions and rates are inclined to be somewhat less steady. Atlantic-America trade is dull with limited enquiry for scrap. In the Eastern and Australian sections conditions continue to be quiet.

Newcastle-upon-Tyne.—Freights are somewhat easier and West Italy is hardly worth more than 6s. 3d. The markets for the Bay and Coasting are quiet and the demand for the Baltic is poor.

Newport.—Freight rates fell slightly in December, and the New Year has not opened well in respect of tonnage requirements. Colliery steams have been difficult, chiefly owing to the classes of coal required, and the markets may open out when better supplies of coal are available. There are three vessels now laid up in the docks as compared with four a month ago.

Swansea.—The upward movement in the freight market during the last quarter of 1934 was not maintained during January. Towards the end of the month, however, the market was steadier and showed signs of recovery.

East of Scotland.—There were less than twenty vessels on loading turn at the East of Scotland coaling ports in the middle of January. Other branches of shipping on the Forth have been about normal for the season. The freight market remains quiet and tonnage is readily obtainable at recent rates. It is hoped that the opening of an office in Glasgow under the Export Credits Scheme will stimulate the interest of Scottish traders in finding fresh connections overseas.

Glasgow.—Shippers of coal are not showing much interest in the freight market. The enquiry is chiefly for tonnage for discharge at Baltic ports (particularly Danish) for which rates are steady. The Mediterranean and Bay Sections are attracting little attention. Rates are not fluctuating appreciably and coasting business is scarcely mentioned.

Foodstuffs

Liverpool, grain.—Trading on the wheat market has been quiet, and on the whole fluctuations in prices have been small. The statistical position remains bullish. There is no improvement reported in the condition of the Argentine and Australian crops, and the demand from non-European countries is important. These factors have had little effect on the market as stocks in this country are very large and millers show little interest. The returns of world shipments of wheat during the

last five months are very disappointing, and the increased volume of trade which was expected has failed to materialise. The demand from the United States for low-grade wheat for feeding purposes has also failed to reach expectations. In the maize section conditions were on the quiet side during the early part of the month, owing to holiday influences, but a firmer tone has since prevailed. Reports from the Argentine show that the new crop is likely to exceed all previous records. Consumptive demand in this country is somewhat limited at present, but the United States will probably be an active buyer in the coming spring on account of the serious shortage of feeding grains in that country. It is thought that the supply will therefore not prove to be in excess of requirements. A fair trade has been done in home-milled flour at unchanged prices. Demand for imported flour is very quiet but prices continue steady.

Liverpool, provisions.—During the month supplies of Continental bacon have been rather in excess of demand and lower prices have ruled. American hams have been scarce and firmer. Lard continues in good demand at higher values. Trading in butter has shown a heavy consumption of Empire makes at comparatively low rates. Stocks are declining and advanced values are anticipated in the near future. A steady trade has been experienced in New Zealand varieties of cheese, and prices have risen by amounts ranging from 3s. to 5s. per cwt. Canadian cheese is steady at unchanged prices. Existing stocks of all makes are small compared with last year, and higher prices are expected. In the canned-goods section both meats and fruits remain a normal trade.

Liverpool, fresh meat.—At the beginning of December it appeared that the heavy autumn supplies of cattle had ceased and that the wholesale prices of beef would rise. Although live cattle advanced in price it was found impossible to raise the price of the carcases on the markets sufficiently to enable the buyer to show a profit. The mild weather has prevented any increase in consumption. Veal remains a steady trade and prices have been rather better. Good calves in particular have been scarce. Sales of lambs have been improved by shorter supplies, and average prices have been better. Very few ewes have been available and prices have steadily advanced week by week. The mild weather has checked the sale of pork.

Fishing

Brixham.—Landings during December showed a slight increase over those for the previous month, but were still much below average. Prices were slightly better. Herrings are still scarce.

Lowestoft.—During December the total quantity of wet fish landed by British vessels in England and Wales amounted to 54,000 tons, valued at £984,000, compared with 50,000 tons, valued at £828,000, in December, 1933. The principal increase was in the catch of cod. Herrings, though decreasing in quantity from 7,870 to 6,026 tons, increased in value from £66,000 to £92,000. This improvement in herring prices gave a more cheerful ending to the East Anglian autumn season than could possibly have been anticipated in the crisis at the end of October.

Penzance.—Fishing has been above the average during the past month. More herrings were landed than in the previous two or three years. Prices were exceedingly good and demand from the home market keen. The Plymouth season has not been good for the Cornish drifters.

Scotland.—A start has been made with the herring fishing in the Firth of Forth, but catches, while of good quality, have been light. Prices have reached a high level, in some cases over £5 per cran. The line fishing round the coast has been handicapped by stormy weather and fog. Landings have in most cases met a ready market at good prices.

Other Industries

Jewellery.—Birmingham reports that satisfactory conditions continue to prevail. Prospects for the trade generally are brighter.

Paper-making and Printing.—There is little change in the position of the Edinburgh paper-making trade. Conditions are improving slowly and the last quarter of 1934 was the best for the year, but the immediate outlook is still uncertain. The printing trade also experienced favourable conditions during the last quarter of the year and with the spring publishing season not far ahead, the outlook continues to be regarded with a fair degree of optimism.

Pottery.—Longton reports that the December export figures showed an encouraging increase over the corresponding month for 1933. For the year there was a general increase in pottery exports over 1933. Earthenware shows the most marked increase. There was a considerable increase in imports of China ware. The home trade was quiet during January, as is usual for that time of year.

Timber.—Business in the Hull timber trade has been quiet, as importers are awaiting news of the Russian situation. Until some definite statement is forthcoming, it is improbable that much business will be concluded with Scandinavia. Inland demand is normal for the time of year. Prices of flooring are showing signs of stiffening and stock-holders are expecting a better market in the spring.

At Newport, pitwood imports averaged 2,800 loads per week in December, the same as in November, but 400 loads per week less than in December, 1933. For the quarter imports amounted to 28,000 tons against 40,000 tons in the previous quarter and 32,000 tons in the last quarter of 1933. The year's total of 134,000 tons was 6,000 tons less than in 1933 but 6,000 tons more than in 1932. Other timber imports for 1934 were 43,000 tons, or 10,000 tons more than in 1933 and 8,000 tons more than in 1932.

Overseas Reports

Australia

From the National Bank of Australasia Limited

Pastoral conditions are fair to good in most districts, but summer rains are badly needed in the interior of Queensland. Wool is selling well at slightly increased prices. Butter production is large, but the wheat harvest is only two-thirds of the average. Over the five months ended November 30th imports show an advance in value of 30 per cent. over the previous year, but exports have fallen by 20 per cent. owing to the decline in wool prices and the retardation of sales. In consequence the favourable trade balance for that period was only £1,250,000 sterling, against £17,250,000 in the same period in 1933. Trade progress generally during 1934 was mainly due to increased Government borrowing and capital expenditure. Real progress is dependent upon better markets abroad and upon higher prices for Australia's chief exports.

Canada

From the Imperial Bank of Canada

Preliminary statistics and year-end reviews indicate that the progress of economic recovery which began early in 1933 was maintained throughout 1934. General business has been recently aided by a holiday trade which showed an increase of 15 to 20 per cent. over the previous year, and was the largest in volume since 1928. Prospects for 1935 are regarded as brighter than in any other year since the depression began. The expansion of industrial activities is indicated by the fact that the production of electric power has reached a new high level, with an increase of more than 20 per cent. over last year. The physical volume of manufacturing is also approximately 20 per cent. higher, with pig iron and steel ingot production more than doubled and automobile production showing an increase of about 85 per cent. Manufacturing employment has shown a further increase, and it has been estimated that 140,000 to 150,000 employees were added to the lists representing various industrial groups. What this has meant to the public financially is indicated by an estimated average increase of about 30 per cent. in dividend payments. The economic index of the Dominion Bureau of Statistics has

risen to above the 100 which represents the average for 1926, and the rise as compared with about a year ago is more than 25 per cent. For this improvement a great deal of credit is given to the Ottawa Trade Agreements. Exports of Canadian merchandise have shown an increase of about 25 per cent. and there are also increases in exports of farm products, fisheries, forests and mines, with the higher price now ruling for gold playing an important part. The favourable trade balance is showing a substantial increase, and the trend in the direction of the Empire is indicated by an increase in merchandise exports to the United Kingdom of over 50 per cent. in the past two years, at a time when world export trade was restricted. Despite a repetition of drought conditions in extensive areas in Western Canada, a preliminary estimate of the value of Canadian field crop is put at 27 per cent. above 1933, being considerably the highest figure in the last four years. Exports of planks and boards have shown an increase of about 40 per cent., and newsprint production has risen by about 28 per cent. Freight car-loadings have shown an increase of about 15 per cent., and gross railway earnings have risen by 10 per cent.

India

Bombay.—The raw cotton market has strengthened as a result of substantial reduction in the Indian crop estimates. As the Oomra territory in particular has produced a crop much below previous expectations, prices for this variety have been firm and shippers with early commitments have found difficulty in securing their requirements. Sentiment generally is bullish, and a fair amount of cotton is being held back for higher prices. Early in December there was a good retail demand for piece-goods, particularly for woollens and the heavier type of serges. Later the Mohammedan Ramzan Id Festival and the Christmas holidays led to a falling-off in demand. Dealers also had satisfied their requirements and importers were waiting to clear their stocks before taking up fresh supplies of cottons, prints, voiles and similar goods.

Calcutta.—Loose jute prices were depressed by selling pressure early in December, but they improved later in the month as a result of speculation in the Pucca Bale market and the firmness of the mofussil markets. Up-country markets have been firm and imports have been small. A moderate

business was done with the mills at steadily advancing prices. Shippers have displayed more interest in baled jute, and as sellers were only offering sparingly, prices underwent a sharp advance. In the tea market, leaf grades have cheapened with the exception of some good autumnal character Dooars invoices, but this movement is seasonal. There was a strong demand for tea for internal consumption, particularly for tippy B.O. Pekoes and leaf grades. The dust market remained firm.

Rangoon.—As usually is the case, December was a dull month in the rice market. Indian demand was steady and there was a small business with Java, but there was no buying from Europe or Shanghai. Arrivals of new paddy were still negligible. Demand for hardware is very meagre. The recent effort of the Hardware Merchants' Association to maintain selling prices has proved unsuccessful, and the control was removed at the end of December. Stocks are ample, but it is hoped that demand will improve after the paddy crop has been reaped.

Irish Free State

The most important event of January was the conclusion of a new Trade Agreement with Great Britain. This provides that the British import quotas for live cattle for 1935 will be increased by one-third over those for 1934. In return the Irish Free State is to raise its purchases of British coal by an equivalent amount in value. The announcement of the Agreement has been followed by an order which in effect gives Great Britain the monopoly of the coal import trade. It is felt that this may be the forerunner of further Agreements, but there is no indication that this increase in shipments of coal and cattle will be accompanied by any reduction in the special customs duties imposed by the two countries. This is regarded in Dublin as a disquieting feature.

The Department of Agriculture reports that although December proved an unusually dry month, ploughing was not so advanced as in former years. Owing to the continued mild weather and a later growth of grass, pastures were better covered than usual and provided satisfactory keep for livestock. Better prices have been obtainable for oats and barley, and farmers in consequence have retained smaller reserves of grain

in hand. They have, however, adequate stocks of hay and roots. Livestock are healthy and in good condition. Fairs have been well supplied with cattle. The demand for sheep remains steady and prices are firmer.

France

From Lloyds and National Provincial Foreign Bank Limited

The principal events of January were the Government's decision to develop a Treasury bill market and the announcement of its plans for the reorganisation of depressed industries. The Government's financial proposals embody the raising of the limit to the issue of short-term Treasury bills from Frs.10,000 to Frs.15,000 millions, and the intervention in the market in these bills of both the Banque de France and all the French joint-stock banks. The basic intention is the creation of a discount market in Treasury bills on the lines of the market which has existed in London for many years. The Banque de France will be expected to rediscount these bills, even though the Government's indebtedness to the Banque will thereby be increased. The additional Treasury bills will be issued primarily to cover seasonal deficits between revenue and expenditure, which hitherto have had to be covered by the issue of rentes, that is by long-term borrowing. By this means it is hoped to reduce the long-term rate of interest and to save the rentes market from being dominated by the state of the public finances. It is also hoped to attract into Treasury bills part of the mass of idle funds now being hoarded in the country and part of the very large liquid balances of the French banks, at present lodged with the Banque de France and earning no interest. The Government deny that there is any inflationary motive behind these changes and it is reported that an operation for the funding of part of the floating debt is contemplated towards the end of the current calendar year.

Nevertheless the public has seized upon these new proposals as evidence that the period of deflation is at an end. The rentes market at once strengthened considerably, attracting to it a fair amount of French funds which had been lodged in London and other foreign centres. Wholesale prices also turned sharply upwards. The Government, however, is moving cautiously. The high rate of interest—4½ per cent.—charged by the Banque de France for loans against rentes has

not yet been reduced, while any excessive rise in the price of rentes can at once be checked by sales by the Caisse des Depots.

Meanwhile M. Flandin, the Prime Minister, has also outlined some of his plans for the reorganisation of the depressed industries. These include :—

(1) Regional and national industrial agreements, which can be made obligatory upon all concerned by Ministerial decree. Such agreements can relate to restriction of output, stoppages and short time, the holding back of goods from the market, the imposition of special taxation, and the granting of special loans.

(2) The appointment of an Arbitration Committee to inquire if there is any need for intervention in an industry and to make recommendations.

(3) The appointment of a Committee of Experts to study the needs of distressed industries which are unorganised.

(4) The regulation of new entries into industry.

(5) The imposition of penalties for any breach of the agreements.

The Government is insisting that this scheme is temporary and is intended to cope with the present emergency.

In many respects trade remained bad up to the end of the year. Unemployment rose by the end of December to the record figure of 419,129, against 312,894 at the beginning of 1934. In 1931 the highest figure reached was 161,301, for 1932 the record was 317,486, and for 1933 it was 331,716. The latest increase is leading to stricter control over foreign labour.

Railway receipts continue to decline. The returns for 1933 and 1934 are summarised below :—

	1933	1934	Difference
	Frs. mill.	Frs. mill.	Frs. mill.
Alsace Lorraine	772	751	− 21
Est	1,581	1,493	− 88
Etat	1,797	1,706	− 91
Nord	1,806	1,692	−114
P.O. and Midi	2,269	2,195	− 74
P.L.M.	3,153	2,999	−154
Total	11,378	10,836	−542

On the other hand the latest index number of industrial production suggests that the downward trend of trade may be nearing its end. The figures for September, October and

November, respectively, were 95, 94 and 94, compared with 107 in November, 1933. November exports also showed an increase of Frs.54·5 millions over those for October, while imports were reduced by Frs.2·5 millions. The returns for the complete year are reproduced below :—

Imports

	1933	1934	Increase (+) or Decrease (–)
	Frs. mill.	Frs. mill.	Frs. mill.
Foodstuffs	9,604	7,451	– 2,153
Raw Materials	13,794	11,372	– 2,422
Manufactured Articles ...	5,032	4,237	– 795
Total	28,430	23,060	– 5,370

Exports

	1933	1934	Increase (+) or Decrease (–)
	Frs. mill.	Frs. mill.	Frs. mill.
Foodstuffs	2,543	2,566	+ 23
Raw Materials	4,753	5,149	+ 396
Manufactured Articles ...	11,177	10,106	– 1,071
Total	18,473	17,821	– 652

The Paris Bourse strengthened early in December as a result of the Government's financial proposals and M. Laval's successful visit to Rome. The general situation is satisfactory and a fresh advance is by no means improbable.

In conclusion, there is no doubt that the present Government has made a great effort to improve the State finances, and at the moment the Treasury position appears assured for the greater part of the year. The effect of this policy on Trade and Commerce is not yet visible, as failures are still numerous, but it is hoped that the time is not far distant when the strengthening of the Treasury position, with cheaper money resulting, will favourably influence the trading and manufacturing community.

Bordeaux.—As is usual at this period of the year the wine trade is very quiet. The resin market is very firm and quotations show a rise of about 20 per cent. There is a good demand both from at home and abroad.

Le Havre.—Coffee prices have moved within narrow limits and are at present barely steady at Frs.150 per 50 kilos. Local stocks awaiting Customs clearance are 600,000 sacks, as against 655,000 sacks a month ago. Annual statistics show a notable increase in the consumption of outside growths at the expense of Brazilian coffee. Indeed, it is by now generally admitted that the coffee-policy of the Brazilian Government has so far only had the effect of promoting the prosperity of outside growers. Trade with the interior of France remains very poor and many contracts have had to be carried forward.

Cotton prices have remained steady in a narrow market round about Frs.260 per 50 kilos. Brazil appears already to have placed the majority of her crop. Very little Brazilian cotton is now on offer and interest is once more reverting to American growths. The terms of the renewal of the Bankhead Act and the question of future acreage are being awaited with anxiety. Trade with the French mills remains extremely poor.

Lille.—Many cotton mills remained closed for the whole week over the holidays due to the continued depression in this industry. Production is at present estimated at 45 per cent. of total capacity and employees are only working two weeks out of three. In some sections where mixed yarns with wool and artificial silk are being spun, a certain improved demand has been noticeable. The continued high price of flax is a severe hindrance to any improvement to the linen industry. Prices for yarns continue to lag behind with the result that purchases can only be made for immediate needs. Many mills have exhausted their stocks of raw material and have been obliged to pay the present enhanced prices in order to keep working, but this is probably involving them in a loss. The outlook is very uncertain.

Marseilles.—Prices of ground-nuts continued firm during December but business was very limited. Rumours of an impending increase in the Customs duties on foreign nuts restricted demand, and prices at one time were as much as 10s. to 15s. under those quoted in London. During the last few days, however, there has been a spectacular jump in prices of both French Colonial and foreign nuts, due, it is stated, to the shortage of crop in India and Senegal. There has also been a marked improvement in copra prices. Arrivals during December were under normal at 9,000 tons, and arrivals for January are

estimated at about the same figure. There has been a better demand for Straits sun-dried copra, the price of which is now only 7s. 6d. above that of ordinary qualities. Offers of the latter have been scarce and crushers have consequently been obliged to buy superior qualities in spite of the fact that business at present is not too good. Contrary to expectations, olive oil stocks at the end of December were still very low and prices remain firm. An unforeseen factor has been exceptionally heavy rain in the producing countries. This has retarded the harvesting but has not damaged the crop, which is abundant. The quantity of oil manufactured has so far been no more than sufficient to meet the steadily increasing demand. Supplies for the immediate future appear to be assured, but it may well be that the heavy rise in the price of ground-nut oil may influence prices of olive oil.

Roubaix.—There has been a seasonal slackening of activity in business in tops during the past few weeks, but the undertone is firm and the feeling has become far less pessimistic. Prices improved sharply early in January, but fell away afterwards. The combing section is still depressed, but there should be some improvement before long as new wools will be arriving. Spinners are better placed than they were a month ago. Makers of manufacturing yarns are doing much better now than for some time, and are also better placed than makers of hosiery yarns. Manufacturers' position is very little changed, but dress goods are slightly better. There is a slight increase in unemployment as compared with last month. Stocks of tops in the combing establishments of Roubaix-Tourcoing show an increase of 337,000 kilos as compared with last month, this being the first increase for several months. Nevertheless, wool stocks are still 2,000,000 kilos less than they were a year ago.

Belgium

Antwerp.—The number of ships entering the port of Antwerp continues to be well up to the average, the figure of 10,000 having been largely exceeded for the year 1934. Nevertheless, business is quiet and Antwerp is suffering from the increasing restrictions on international trade. There has been a marked rise in the price of wool, several transactions having taken place at a substantial premium on the more distant deliveries. The new Italian exchange restrictions have proved

discouraging to the diamond trade, as of late Italy has been a large buyer on the Antwerp market.

Brussels.—The iron and steel trades remain unsatisfactory, but in some respects there is an improvement. There is a fair demand for semi-finished steel, which includes large contracts from England. Sales of plates, particularly for naval construction, are also better. A fair amount of business is coming from Argentina, Scandinavia, Greece and Egypt. As a result of the tariff revision trade with India is beginning to revive, but sales to Japan are falling away as a result of American and British competition. Steel production for December, 1934, was 243,396 tons, against 248,108 tons in November. The output for the complete year was 2,900,244 tons, against 2,743,000 tons in 1933.

The coal trade is also unsatisfactory. The colder weather, while it lasts, is stimulating some demand for house coal, but sales of industrial fuel are no better. The collieries have recently been appointing their delegates to the Office National des Charbons, established by the Government to control prices and for other purposes. Negotiations are now in progress with Holland, and will shortly be opened with Germany, the object in the latter case being to reduce coal imports from Germany from 340,000 to 300,000 tons a month.

The home market for cement remains very weak, but there is a slight improvement in exports.

Germany

The past year was characterised by a marked expansion of the production of durable goods. Pig-iron and steel production showed an increase of 66·6 per cent. and 55·7 per cent. respectively on 1933. The number of dwelling-houses constructed in 1934 was 50 per cent. above those built during 1933. Industrial activity as a whole appears to have been maintained at a high level until the end of the year, and there are as yet no signs of a recession. The increase in the number of unemployed from 2,352,700 at the end of November to 2,604,400 at the end of December, as well as the decline in car-loadings from 136,700 per day in November to 119,500 per day in December appears to have been largely seasonal. Pig-iron production rose from 829,115 tons in November to 832,761 tons in December, but steel production declined from

1,086,178 tons to 1,039,577 tons. Industrial securities are slightly dearer, but wholesale prices are scarcely changed on the month.

Holland

The operation of the new clearing agreements with Germany remains the centre of attraction. Hitherto imports and exports between the two countries have approximately balanced. This is satisfactory in so far as current trade is concerned, but it means that there is no surplus available for the discharge of commercial debts incurred by Germany to Holland before the agreement came into force. To establish such a surplus the Dutch Government are adopting the somewhat unprecedented method of imposing restrictions upon Dutch exports to Germany.

Firstly, restrictions are to be placed on re-exports from Holland of Dutch East Indies produce, such as tobacco, tea and copra. The restriction will probably amount to 40 per cent. and will be under the control of the new Crisis Exports Bureau. As regards exports of Dutch origin a new system of control is to be set up. Hitherto exports have only been regulated in cases where foreign countries have imposed import quotas against Dutch goods, the object being to ensure that all Dutch exporters obtained a fair share of the quota. Under the new control, every exporter may ship goods without limit, but he will only receive payment out of the clearing fund up to the extent of his export permits. Simultaneously it is hoped that Germany will agree to prohibit importers from paying more into the Settlement Fund than is covered by the export certificates issued in Holland. Hence all surplus shipments will be made at the exporter's risk. It is hoped that arrangements will also be reached for the more speedy settlement of outstanding Dutch commercial claims. At the beginning of 1935 these arrears had risen to about Fl.14 millions.

This scheme involves a temporary contraction in Dutch export trade, and it is hoped to make good the loss by increasing trade with other countries. Negotiations are now in progress with Belgium and other countries, and it is hoped that they will shortly be initiated with the United States.

At home, public works are already being started under the sixty-million-guilders plan. At the end of November un-

employment amounted to 365,000, against 329,000 a year before. Conversions effected during 1934 amounted to the very large sum of Fl.2,036 millions, but new capital issues only totalled Fl.206 millions, and these last were mainly of a public character. Raw material imports showed a decline.

Norway

The foreign trade returns for December and the complete year are summarised below. All figures are in millions of Kroner.

	Dec., 1933	Dec., 1934	1933	1934
Imports	51·3	64·1	665·2	735·2
Exports	50·0	54·5	557·9	578·1
Import surplus ...	1·3	9·6	107·3	157·1

The year's increase in imports is due to heavier purchases of seeds, foodstuffs, yarns, dry goods, oils, tar and rubber, metals and minerals, and ships, vehicles and machinery. There were increased exports of furs and skins, pulp and paper, minerals and metals, and ships, vehicles and machinery. Exports of chemical fertilisers and canned goods were lower than in 1933.

Following the November decline in the volume of laid-up tonnage, December recorded an increase from 55 vessels of 200,765 tons d.w. to 66 vessels of 312,650 tons d.w. The later figure compares with returns of 143 vessels of 672,262 tons d.w. for January 1st, 1934, so that there has apparently been a substantial improvement during the year. Unfortunately the total Norwegian fleet decreased during 1934 by 71 vessels, aggregating 77,000 gross tons; 63 vessels of 140,000 gross tons were sold to foreign countries, 24 vessels of 29,900 gross tons were lost at sea, and 20 vessels of 52,000 gross tons were scrapped; 23 new vessels of 113,000 gross tons were acquired, while 13 second-hand vessels of 32,000 gross tons were purchased from abroad. At the end of 1934, 12 vessels of 22,700 gross tons were under construction in Norwegian yards, while 25 vessels of 191,500 tons were being built abroad.

On January 1st, 1935, the Norwegian merchant fleet was composed as follows:—

1,430 steamers of 2,061,925 gross tons.
439 motor ships of 1,837,206 gross tons.
7 sailing vessels of 1,624 gross tons.

A contract has been placed for a new floating dock, with a lifting capacity of 15,000 tons. It will accommodate ships up to 30,000 tons d.w., and will cost nearly Kr.3 millions. It is to be delivered in May of next year.

It is reported that the whole of the outstanding 1933–34 stocks of whale oil have now been disposed of at a price of £10 per ton, delivered ex tank from the place of storage. As whale oil is usually quoted on a c.i.f. basis, this means that a better price has been obtained than the quotation superficially suggests. The contract for the new floating dock, referred to above, has according to one report been financed partially by the exchange of about 4,000 tons of oil for 5,500 tons of material required for building the dock.

Sweden

Large shipments of paper pulp, especially dry sulphate pulp, together with considerable exports of paper, iron ore and iron, account for an unusually heavy increase in exports during December. In consequence, the export surplus for the month was Kr.28·9 millions, which is the highest monthly surplus for the year. The returns for the complete year are summarised below :—

	1933 Kr. mill.	1934 Kr. mill.	Difference Kr. mill.
Imports	1,095·8	1,298·5	+202·7
Exports	1,078·6	1,293·8	+215·2
Import Surplus...	17·2	4·7	− 12·5

The timber trade has been dominated by the negotiations between Russian exporters and British buyers. In January it appeared possible that the price of the better quality red-woods might be slightly reduced, while it was more definitely expected that the lower qualities of red-woods and all white-woods might be reduced. Recent business by Swedish exporters has been confined mainly to isolated transactions with South European buyers. By the middle of January about 90,000 standards had been sold for delivery during the current year.

The pulp market has been quiet during January. A fair number of orders have been received, but mainly for small quantities for prompt delivery. Sulphite pulp is firmer, and United States buyers are displaying greater interest in strong sulphate.

The iron-works, though less active than two months ago, are still well engaged. Delivery periods have now been shortened, but the volume of orders on hand remains satisfactory. The threat of a dispute in the engineering industry has been removed by the conclusion of new agreements.

Denmark

The improvement in the economic position of Denmark continued during 1934. The import restrictions stimulated certain branches of home industry, house-building was extremely active, and shipping experienced a moderate improvement. Most important of all was the rise in the prices of agricultural produce during the latter part of the year, which outstripped the increase in the prices of the commodities purchased by farmers. As a result the purchasing power of farmers improved, and the value of Danish exports was also enhanced.

The outlook for the coming year, however, is not quite so reassuring. The country is aiming at a lowering of interest rates and an expansion of production, but the difficulty is that the achievement of this policy would involve an increase in raw material imports beyond the point at which they could be financed out of the proceeds of exports and other receipts from abroad. It is not overlooked that the adverse visible trade balance has risen from Kr.52 millions in 1933 to Kr.120 millions last year. Although shipping earnings have simultaneously increased, the fact remains that during 1934 the foreign exchange balances of all the banks were reduced by about Kr.70 millions, while in December alone the reduction was as much as Kr.11·5 millions. The difficulty has been aggravated by some repayment of long-term debts due abroad and by an increasing tendency of importers to pay in cash, but it is recognised that world trade restrictions and the specific provision of certain Commercial Treaties preclude any further expansion in Danish exports and that in these circumstances foreign payments cannot continue on last year's scale. Hence the National Bank has warned builders not to undertake further work until they have secured their raw materials. Motor car imports are to be drastically curtailed, and on the whole import licences will be considerably reduced. Obviously these new restrictions will react upon the general state of trade and employment.

Prices of agricultural produce have fallen slightly during the past month. Butter has declined from Kr.210 to Kr.204 per 100 kilos, and eggs from Kr.126 to Kr.100 per 100 kilos. Bacon is unchanged at Kr.156 per 100 kilos.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

The general industrial situation has been satisfactory during the last month. Exports for December, compared with the previous month, have increased by 0·6 per cent., and totalled Fr.80·3 millions, while imports have also increased by 14·5 per cent., totalling Fr.135·5 millions. The adverse trade balance therefore shows an increase of Fr.12·7 millions.

The watch industry has been doing comparatively well as a result of Christmas buying. There has been an expansion in the shoe and straw industries, and the wool industry shows an improvement, especially in the clothing line. There is no change of importance in the silk trade and machine industries. Exports of chemicals and foodstuffs show a decline. The winter sports season, although late in beginning, has now opened well, and reports from the hotels are good. The money market has remained very easy and Swiss Government bonds show a firm tendency.

Spain

Representatives of the leading banks have agreed to collaborate with the Government in the preparation of a scheme for the issue of a loan of 1,000 million pesetas to be used in a programme of public works. The project arises from the Government's concern at the growing menace of unemployment in Spain. The banks have also nominated a representative on the committee which is to study the question of budget reform.

A commercial agreement has been made with the Argentine, by which, in return for tariff reductions on certain Spanish products, Spain has granted quotas for the import of maize, eggs and chilled meat. The financial clauses include an undertaking by the Argentine Government to utilise for the payment for Spanish exports, foreign exchange arising from Argentine exports to Spain, and the liquidation of outstanding frozen credits by an issue of 2 per cent. Government stock redeemable within five years.

Capital issues in 1934 amounted to 1,117 million pesetas. This is the largest total since 1929. Government and municipal loans account for 68 per cent. of the total, while industrial loans account for 32 per cent. The high rates of interest of the early days of the Republic are disappearing and Government borrowing is now on a 4½ per cent. basis. Banking profits are generally reported to have risen in 1934, and in September deposits had reached 6,048 million pesetas, the highest figure since 1931.

The almond crop of 1934 was abundant and of excellent quality. Demand from the United States and Canada was, however, far below normal and prices have fallen considerably below those ruling in 1933. Centres of production all announce heavy stocks. For some years the acreage in Spain devoted to the cultivation of almonds has been steadily increasing.

The Minister of Agriculture has announced that a maximum number of 100,000 families will be settled on the land in 1935.

Morocco

From the Bank of British West Africa Limited

Prices for cereals have fallen so low that holders are refusing to sell, and this deadlock is affecting business generally. The Mohammedan Fast of Ramadan ended on January 6th. Some revival in trade is hoped for, especially as the whole country is now completely pacified. Recent new legislation has prohibited, as in France, the further planting of vineyards. These now cover about 58,000 acres in French Morocco, and produce 550,000 hectolitres of wine. Phosphates exported in 1934 totalled 1,164,796 tons, against 1,107,232 in 1933. Early market vegetables valued at 60 million francs were exported in 1934, France being the sole buyer. Building permits were issued in 1934 to the value of Frs.72·4 millions for Casablanca, as compared with Frs.103·8 millions in 1933.

The United States

The President's annual message to Congress, followed by his budget message, was interpreted as implying that the Administration favoured some broad form of social insurance, and definite proposals for unemployment insurance and old age

pensions have since been laid before Congress. The budget message envisages expenditure of $7,884 millions for 1935–36 against a revenue of only $3,992 millions. It is recommended that $4,000 millions be appropriated in one sum and allocated by the executive principally for schemes for giving work to the unemployed. It is estimated that at the end of 1934–35 the national debt will be $31,086 millions and that on the basis of the proposed budget it will rise to $34,240 millions at the end of 1935–36.

At beginning of the New Year the business trend was upwards and public sentiment was more confident than twelve months before. Funds are plentiful, and the banks are almost swamped with deposits for which there is no outlet beyond Government securities.

In the sugar market, there developed during December an acute shortage of sugar for the current month's delivery, and numerous operators were unable to fulfil their contracts. Dealings were temporarily suspended on December 20th, and outstanding positions had to be closed at an arbitrated price. Refiners have again reduced their quotations, which are now 4·30 cents per lb. Cuban raw sugar exports were 2,317,157 tons for 1934, or rather more than 1 per cent. over those of the preceding year. Shipments to the United States rose by 13 per cent., while those to other countries fell by 17 per cent.

Home business in copper has been well maintained. Foreign sales are also better, and the export price has risen during the past month from 6·80 cents to 7·05 per lb. Trade in tin has been limited and irregular. In the iron and steel trades, blast furnaces in operation rose during December from 60 to 68, while output of pig-iron expanded from 31,898 tons a day in November to 33,387 tons a day in December. Production in 1934 showed an increase of over 20 per cent. above that of 1933. Steel production also improved during December, and the mills worked at 35·26 per cent. of capacity. Output for 1934 was 25·3 million tons, against 22·6 million tons in 1933. At the moment there is a good demand for steel from the automobile and agricultural machinery industries. Motor-car manufacturers have now issued their programmes. These indicate a projected output of 800,000 cars by March 31st, or 10 per cent. above the realised output for the first quarter of last year.

Statistics

BANK OF ENGLAND

Issue Department

	Note Circulation.	Govt. Debt.	Other Govt. Securities.	Other Securities.	Silver Coin.	Fiduciary Issue.	Gold.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
End March, 1929	361·8	11·0	235·2	9·0	4·8	260·0	153·3
„ „ 1930	352·3	11·0	233·0	11·5	4·5	260·0	155·1
„ „ 1931	357·1	11·0	232·0	12·9	4·0	260·0	144·5
„ „ 1932	360·5	11·0	240·9	19·3	3·8	275·0	120·8
„ „ 1933	367·1	11·0	249·9	10·5	3·6	275·0	171·8
„ „ 1934	378·8	11·0	245·4	0·1	3·5	260·0	191·1
Jan. 16, 1935	378·1	11·0	245·9	0·6	2·4	260·0	192·4
„ 23, 1935	373·8	11·0	246·0	0·6	2·4	260·0	192·4

Banking Department

	Public Deposits.	Bankers' Deposits.	Other Deposits.	Govt. Securities.	Discounts and Advances.	Other Securities.	Reserve.	Proportion.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	%
End March, 1929	19·7	58·2	36·4	50·6	13·0	17·1	51·9	45·4
„ „ 1930	18·8	54·9	35·9	44·8	6·1	13·3	63·7	58·1
„ „ 1931	17·2	58·8	34·7	30·3	24·6	25·7	48·3	43·6
„ „ 1932	27·2	54·6	34·4	35·7	11·7	51·1	35·9	30·9
„ „ 1933	21·2	92·8	35·0	57·7	11·8	17·2	80·6	54·0
„ „ 1934	17·5	94·5	36·9	77·1	5·6	11·0	73·4	49·2
Jan. 16, 1935	14·2	108·7	36·1	83·4	9·1	9·9	74·8	47·0
Jan. 23, 1935	17·0	108·2	36·3	81·1	9·1	10·3	79·2	49·0

LONDON CLEARING BANKS (monthly averages)

	Deposits.	Acceptances, Guarantees, etc.	Cash.	Balances and Cheques.	Call Money.	Bills.	Investments.	Advances.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
March, 1925	1,643·5	113·9	190·2	51·1	111·7	205·1	299·4	857·1
„ 1929	1,776·6	222·1	187·8	52·7	136·1	216·6	258·9	995·9
„ 1930	1,719·3	159·3	184·4	51·3	134·7	183·6	240·4	990·8
„ 1931	1,763·9	121·5	184·0	43·5	114·1	240·4	311·1	936·1
„ 1932	1,676·4	98·7	174·0	43·4	112·5	216·8	281·9	902·1
„ 1933	1,925·2	95·8	207·0	40·1	108·7	348·1	510·2	766·2
„ 1934	1,830·6	112·8	218·9	43·5	120·4	202·1	547·1	753·0
Nov., 1934	1,911·1	122·2	209·7	43·7	134·6	232·5	589·3	755·4
Dec., 1934	1,970·8	122·7	215·9	54·7	150·6	254·9	594·3	753·5

LONDON BANKERS' CLEARING HOUSE RETURNS

	Town Clearing.	Metropolitan Clearing.	Country Clearing.	Total.
	£ mn.	£ mn.	£ mn.	£ mn.
1925	35,801	1,678	2,958	40,437
1929	39,936	1,882	3,079	44,897
1930	38,782	1,812	2,964	43,558
1931	31,816	1,668	2,752	36,236
1932	27,834	1,610	2,668	32,112
1933	27,715	1,657	2,766	32,138
1934	30,740	1,760	2,984	35,484
1934 to Jan. 24	2,143	129	219	2,491
1935 to Jan. 23	2,431	137	228	2,796

BANKERS' PROVINCIAL CLEARING RETURNS

	Mar., 1925.	Mar., 1929.	Mar., 1931.	Mar., 1932.	Mar., 1933.	Mar., 1934.	Nov., 1934.	Dec., 1934.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Birmingham	11·3	11·9	9·5	9·0	9·7	11·3	9·9	11·1
Bradford	—	5·9	3·3	3·4	3·3	4·2	3·6	3·9
Bristol	5·1	5·3	6·0	4·9	5·0	5·4	5·2	4·4
Hull	4·8	4·0	3·1	3·0	3·2	3·2	3·1	3·1
Leeds...	4·5	4·4	3·5	3·8	3·8	4·4	3·7	4·0
Leicester	3·6	3·6	2·9	3·1	3·1	3·3	2·7	3·0
Liverpool	42·5	34·2	24·7	25·6	25·6	26·8	27·8	26·3
Manchester	77·4	58·0	41·9	42·5	42·1	46·1	42·9	43·5
Newcastle-on-Tyne ...	7·8	6·5	6·0	5·7	6·5	6·9	6·4	7·0
Nottingham	2·3	2·8	1·9	1·9	1·9	2·0	1·9	1·9
Sheffield	5·0	4·6	3·5	3·3	3·5	3·6	3·8	4·0
	164·3	141·2	106·3	106·2	107·7	117·2	111·0	112·2

LONDON AND NEW YORK MONEY RATES

	London.					New York.		
	Bank Rate.	Treasury Bills. Tender Rate.	Treasury Bills. Market Rate.	3 Months' Bank Bills.	Short Loans.	F.R.B. Re-discount Rate.	Call Money.	Accept-ances.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
End March, 1925	5	$4\frac{11}{32}$	—	$4\frac{3}{8}$–$4\frac{7}{16}$	$3\frac{3}{4}$–$4\frac{1}{2}$	$3\frac{1}{2}$	$3\frac{1}{2}$	$3\frac{3}{8}$
,, ,, 1929	$5\frac{1}{2}$	$5\frac{11}{32}$	$5\frac{1}{2}$	$5\frac{5}{16}$–$5\frac{3}{8}$	$4\frac{1}{2}$–$4\frac{3}{4}$	5	15	$5\frac{5}{8}$
,, ,, 1930	$3\frac{1}{2}$	$2\frac{5}{8}$	$2\frac{9}{16}$	$2\frac{9}{16}$–$2\frac{5}{8}$	$2\frac{1}{2}$–$2\frac{3}{4}$	$3\frac{1}{2}$	$3\frac{1}{2}$	$2\frac{7}{8}$
,, ,, 1931	3	$2\frac{17}{32}$	$2\frac{9}{16}$–$2\frac{5}{8}$	$2\frac{9}{16}$–$2\frac{5}{8}$	2–$2\frac{1}{2}$	2	$1\frac{1}{2}$	$1\frac{5}{8}$
,, ,, 1932	$3\frac{1}{2}$	$2\frac{5}{32}$	$1\frac{7}{8}$	$2\frac{1}{2}$–$2\frac{3}{4}$	2–3	3	$2\frac{1}{2}$	$2\frac{1}{2}$
,, ,, 1933	2	$\frac{19}{32}$	$\frac{9}{16}$–$\frac{5}{8}$	$\frac{5}{8}$	$\frac{1}{2}$–1	$3\frac{1}{2}$	3	$2\frac{1}{2}$
,, ,, 1934	2	$\frac{29}{32}$	$\frac{7}{8}$	$\frac{15}{16}$	$\frac{3}{4}$–1	$1\frac{1}{2}$	1	$\frac{3}{8}$
Dec. 27th, 1934	2	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{9}{16}$–$\frac{5}{8}$	$\frac{1}{2}$–2	$1\frac{1}{2}$	1	$\frac{3}{16}$
Jan. 23rd, 1935	2	$\frac{9}{32}$	$\frac{9}{32}$	$\frac{9}{16}$	$\frac{1}{2}$–1	$1\frac{1}{2}$	1	$\frac{3}{16}$

FOREIGN EXCHANGES

London on	Parity (prior to Sept. 21, 1931).	1933. Jan. 25.	1934. Jan. 24.	1935. Jan. 2.	1935. Jan. 9.	1935. Jan. 16.	1935. Jan. 23.
New York—							
(*a*) Spot ...	\$4·866	3·39$\frac{1}{8}$	4·99$\frac{1}{4}$	4·94	4·92$\frac{3}{8}$	4·88	4·89$\frac{1}{8}$
(*b*) 3 Months	—	$1\frac{7}{16}$c. dis.	4c. dis.	$\frac{1}{4}$c. dis.	$\frac{1}{4}$c. dis.	$\frac{1}{4}$c. dis.	$\frac{1}{16}$c. dis.
Montreal ...	\$4·866	3·91	5·02$\frac{1}{8}$	4·89$\frac{3}{4}$	4·89$\frac{1}{8}$	4·87$\frac{7}{8}$	4·89
Paris—							
(*a*) Spot ...	Fr. 124·21	87	$80\frac{1}{32}$	$74\frac{17}{32}$	$74\frac{5}{8}$	$74\frac{9}{32}$	$74\frac{13}{32}$
(*b*) 3 Months	—	$21\frac{1}{2}$c. dis.	$27\frac{1}{2}$c. dis.	8c. dis.	$13\frac{1}{2}$c. dis.	21c. dis.	$31\frac{1}{2}$c. dis.
Berlin—							
(*a*) Official ...	Mk. 20·43	14·27$\frac{1}{2}$	13·29$\frac{1}{2}$	12·25$\frac{1}{2}$	12·23	12·20	12·23
(*b*) Registered Marks	—	—	$17\frac{1}{2}$% dis.	39% dis.	$39\frac{1}{2}$% dis.	$38\frac{1}{2}$% dis.	36% dis.
Amsterdam ...	Fl. 12·11	8·45	7·81$\frac{1}{2}$	7·27	7·25$\frac{3}{4}$	7·24$\frac{3}{4}$	7·26$\frac{1}{4}$
Brussels ...	Bel. 35	24·45$\frac{1}{2}$	22·55	21·01	20·97	20·97	21·03
Milan	Li. 92·46	$66\frac{7}{16}$	$59\frac{3}{8}$	$57\frac{7}{16}$	$57\frac{13}{32}$	$57\frac{5}{16}$	$57\frac{7}{16}$
Berne	Fr. 25·22$\frac{1}{2}$	17·55	16·23	15·17$\frac{1}{2}$	15·15	15·13$\frac{1}{2}$	15·16$\frac{1}{2}$
Stockholm ...	Kr. 18·16	$18\frac{13}{32}$	19·39	19·39$\frac{1}{2}$	19·39$\frac{1}{2}$	19·39$\frac{1}{2}$	19·39$\frac{1}{2}$
Madrid ...	Ptas. 25·22$\frac{1}{2}$	$41\frac{5}{8}$	$39\frac{1}{2}$	$35\frac{31}{32}$	$35\frac{29}{32}$	$35\frac{27}{32}$	$35\frac{29}{32}$
Vienna ...	Sch. 34·58$\frac{1}{2}$	29*	29*	$26\frac{1}{2}$	26	26	$26\frac{1}{4}$
Prague... ...	Kr. $164\frac{1}{4}$‡	$114\frac{3}{4}$	$105\frac{7}{8}$	$117\frac{3}{4}$	$117\frac{7}{16}$	$117\frac{1}{8}$	$117\frac{5}{8}$
Buenos Aires ...	47·62d.	$41\frac{1}{2}$†	$36\frac{3}{8}$†	$36\frac{1}{2}$†	$36\frac{1}{2}$†	15†§	15†§
Rio de Janeiro	5·89d.	$5\frac{7}{16}$†	$4\frac{1}{8}$†	$4\frac{1}{4}$†	$4\frac{1}{4}$†	$4\frac{1}{4}$†	$4\frac{1}{4}$†
Valparaiso ...	Pes. 40	56·05†	51·50†	96·05†‖	95·80†‖	95·80†	95·90†‖
Bombay ...	18d.	$18\frac{1}{4}$d.	$18\frac{3}{32}$d.	$18\frac{1}{16}$d.	$18\frac{1}{16}$d.	$18\frac{3}{32}$d.	$18\frac{3}{32}$d.
Hong Kong ...	—d.	$15\frac{3}{4}$d.	18d.	$20\frac{3}{4}$d.	$20\frac{7}{8}$d.	$21\frac{1}{4}$d.	$21\frac{3}{8}$d.
Kobe	24·57d.	1/$3\frac{1}{16}$	1/$2\frac{5}{16}$	1/$1\frac{31}{32}$	1/$1\frac{31}{32}$	1/$1\frac{31}{32}$	1/2
Shanghai ...	—d.	$20\frac{1}{2}$d.	$16\frac{1}{8}$d.	$16\frac{7}{8}$d.	$16\frac{7}{8}$d.	$17\frac{1}{8}$d.	$17\frac{5}{8}$d.
Gold price ...	per oz.	121s. $1\frac{1}{2}$d.	132s. 9d.	140s. $10\frac{1}{2}$d.	142s. 0d.	141s. 6d.	142s. $1\frac{1}{2}$d.
Silver price ...	per oz.	$17\frac{1}{16}$d.	$19\frac{1}{2}$d.	$24\frac{5}{8}$d.	$24\frac{5}{16}$d.	$24\frac{5}{16}$d.	$24\frac{5}{8}$d.

* Nominal. † Official Rate. ‡ Kr.197·10, since devaluation of Kroner on February 17th, 1934.
§ Prior to January 14th rates represent pence per gold peso, henceforward paper pesos to the £.
‖ Revalued on January 1st, 1935.

PUBLIC REVENUE AND EXPENDITURE

	1930–31.	1931–32.	1932–33.	1933–34.	To Jan. 20, 1934.	To Jan. 19, 1935.
REVENUE—	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Income Tax	256·0	287·4	251·5	228·9	103·9	108·4
Sur-Tax	67·8	76·7	60·7	52·6	23·7	22·6
Estate Duties	82·6	65·0	77·1	85·3	70·6	63·6
Stamps	20·7	17·1	19·2	22·7	15·3	16·0
Customs	121·4	136·2	167·2	179·2	143·6	149·7
Excise	124·0	119·9	120·9	107·0	90·6	88·5
Motor Vehicle Duties (Exchequer Share)... ...	4·9	5·0	5·0	5·2	3·4	4·8
Other Tax Revenue	3·9	3·2	3·1	2·6	0·3	0·3
Total Tax Revenue	681·3	710·5	704·7	683·5	451·4	453·9
Post Office	10·1	11·5	10·9	13·1	13·6	13·5
Crown Lands	1·3	1·3	1·2	1·2	0·9	1·0
Receipts from Sundry Loans	32·9	13·8	5·1	4·7	4·5	4·2
Miscellaneous Receipts ...	50·3*	33·9*	22·9	22·1	21·5	12·7
Total Non-tax Revenue ...	94·6	60·5	40·1	41·1	40·5	31·4
Total Ordinary Revenue ...	775·9	771·0	744·8	724·6	491·9	485·3
Post Office	59·0	58·0	59·3	59·3	44·8	46·7
Road Fund	22·9	22·5	22·9	25·5	17·9	16·7
Total Self-balancing Revenue...	81·9	80·5	82·2	84·8	62·7	63·4
EXPENDITURE—						
National Debt Interest ...	293·2	289·5	262·3	212·9	191·6	191·4
Payments to N. Ireland ...	6·4	6·3	7·0	6·6	4·4	4·3
Other Cons. Fund Services...	2·9	3·1	3·3	4·1	3·1	2·7
Post Office Fund	—	—	—	—	—	2·3
Supply Services	429·8	439·2	458·3	458·8	354·6	362·5
Total Ordinary Expenditure ...	732·3	738·1	730·9	682·4	553·7	563·2
Sinking Fund...	66·8	32·5	17·2	7·7	—	—
Payments to U.S. Govt. ...	†	†	29·0	3·3	3·3	—
Self-balancing Expenditure (As per contra)	81·9	80·5	82·2	84·8	62·7	63·4

* Includes Appropriation from Rating Relief Suspense Account.

† Included under National Debt Interest.

PRODUCTION

	Coal.	Pig-Iron.	Steel.
	Tons mill.	Tons thous.	Tons thous.
Total 1913	287·4	10,260	7,664
„ 1925	243·2	6,262	7,385
„ 1929	257·9	7,589	9,636
„ 1930	243·9	6,192	7,326
„ 1931	219·5	3,773	5,203
„ 1932	208·7	3,574	5,261
„ 1933	207·0	4,124	7,003
„ 1934	221·9	5,979	8,860
December, 1933	18·7	409	669
December, 1934	18·6	514	655

BOARD OF TRADE PRODUCTION INDEX NUMBER
(1924 = 100)

	Complete Year.			1933.		1934.		
	1931.	1932.	1933.	3rd Qr.	4th Qr.	1st Qr.	2nd Qr.	3rd Qr.
Mines and Quarries ...	81·6	77·5	76·9	70·2	82·8	89·0	78·8	76·9
Iron and Steel ...	65·9	66·2	82·2	84·2	93·7	104·7	104·3	98·2
Non-Ferrous Metals	100·1	96·3	101·9	100·3	120·7	117·1	142·1	151·0
Engineering and Ship-building	94·9	88·6	96·0	93·5	95·8	108·1	111·8	110·7
Textiles	77·0	85·1	89·8	88·8	95·9	96·3	91·0	85·9
Chemicals	95·2	98·1	101·0	99·8	102·9	107·9	107·3	103·9
Leather and Boots ...	99·3	96·4	106·2	105·5	101·7	110·7	108·1	99·0
Food, Drink and Tobacco	103·7	97·6	99·2	103·6	102·7	99·7	117·7	104·8
Total*	93·7	93·3	98·6	96·8	104·0	109·5	109·7	105·3

* Includes paper and printing, gas and electricity, rubber, cement and tiles.

UNEMPLOYMENT

(a) Percentage of Insured Workers

Date.	1928.	1929.	1930.	1931.	1932.	1933.	1934.
End of—							
January	10·7	12·3	12·4	21·5	22·4	23·1	18·6
February	10·4	12·1	12·9	21·7	22·0	22·8	18·1
March	9·5	10·0	13·7	21·5	20·8	21·9	17·2
April	9·5	9·8	14·2	20·9	21·4	21·3	16·6
May	9·8	9·7	15·0	20·8	22·1	20·4	16·2
June	10·7	9·6	15·4	21·2	22·2	19·4	16·4
July	11·6	9·7	16·7	22·0	22·8	19·5	16·7
August	11·6	9·9	17·1	22·0	23·0	19·1	16·5
September	11·4	10·0	17·6	22·6	22·8	18·4	16·1
October	11·8	10·3	18·7	21·9	21·9	18·1	16·4
November	12·2	10·9	19·1	21·4	22·2	17·9	16·4
December	11·2	11·0	20·2	20·9	21·7	17·5	16·1

(b) Actual Numbers Unemployed (in thousands)

	Mar., 1929.	Mar., 1931.	Mar., 1932.	Mar., 1933.	Dec., 1933.	Mar., 1934.	Nov., 1934.	Dec., 1934.
Number of Insured Persons unemployed—								
Wholly unemployed	920	1,933	2,129	2,205	1,863	1,814	1,724	1,710
Temporarily stopped	200	613	427	511	313	317	314	293
Normally in casual employment ...	84	120	104	105	87	94	84	83
Total	1,204	2,666	2,660	2,821	2,263	2,225	2,122	2,086

RAILWAY TRAFFIC RECEIPTS

	Year.				Aggregate for 3 Weeks.			
	1933.		1934.		1934.		1935.	
	Passengers.	Goods.	Passengers.	Goods.	Passengers.	Goods.	Passengers.	Goods.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Great Western ...	10·3	13·7	10·3	14·3	0·5	0·8	0·5	0·8
London & North Eastern*	15·5	26·1	15·7	27·9	0·7	1·6	0·7	1·6
London Midland & Scottish	23·9	32·8	24·3	34·6	1·0	2·1	1·1	2·0
Southern	14·6	4·7	14·8	4·8	0·7	0·3	0·7	0·3
Total	64·3	77·3	65·1	81·6	2·9	4·8	3·0	4·7

* The London & North Eastern Railway Returns are made up a day earlier each week than the other lines.

RETAIL TRADE

(from the Board of Trade Journal)

Change in value since same date in previous year

	Dec., 1931.	Dec., 1932.	Dec., 1933.	Nov., 1934.	Dec., 1934.
By CATEGORIES : Great Britain	%	%	%	%	%
Total	− 5·2	−0·7	+4·1	+3·9	+1·8
Food and Perishables	− 3·6	−1·5	+2·1	+3·6	+2·3
Other Merchandise of which					
Piece-goods*	− 5·4	−8·2	+2·8	−1·0	Nil
(i) Household Goods ...	—	—	+8·0	−0·4	−0·5
(ii) Dress Materials	—	—	−2·5	−1·8	+1·4
Women's Wear*	− 8·3	+0·8	+7·5	+3·9	−0·2
(i) Fashion Departments ...	−10·8	−0·3	+9·1	+4·8	+1·0
(ii) Girls' & Children's Wear	− 8·6	−0·8	+4·8	+2·4	−3·1
(iii) Fancy Drapery	− 6·9	+1·1	+7·4	+3·8	+0·8
Men's & Boys' Wear	− 6·0	+1·8	+10·6	+5·3	−5·9
Boots and Shoes	−10·1	−1·3	+0·3	+6·5	+10·8
Furnishing Departments ...	− 2·2	−0·6	+7·5	+5·7	+8·5
Hardware	− 8·2	−0·5	+7·6	+0·2	+4·1
Fancy Goods	− 8·6	+1·4	+4·5	+3·6	+3·6
Sports and Travel	− 6·3	−1·7	−3·5	+0·7	+4·9
Miscellaneous and Unallocated	− 5·6	+2·9	+6·5	+5·9	−4·9
By AREAS—					
All Categories—					
Scotland	− 3·8	−1·4	+1·8	+5·7	+2·7
Wales & North of England ...	− 4·8	−2·6	+3·1	+4·0	+1·7
South of England	− 3·2	−0·2	+5·0	+4·1	+2·1
London, Central & West End	−10·7	+1·6	+5·6	+1·9	+1·1
London, Suburban	− 4·4	+1·7	+5·4	+4·2	+1·7

* Including some goods which cannot be allocated to sub-headings.

OVERSEAS TRADE

Date.	Imports.				Exports.			
	Food.	Raw Materials.	Manufactured Goods.	Total.	Food.	Raw Materials.	Manufactured Goods.	Total.
Monthly Average—	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£mn.
1925	47·5	35·4	26·6	110·1	4·6	7·0	51·4	64·4
1929	44·6	28·3	27·9	101·7	4·6	6·6	47·8	60·8
1930	39·6	20·9	25·6	87·0	4·0	5·3	36·7	47·6
1931	34·7	14·4	21·8	71·8	3·0	3·9	24·3	32·6
1932	31·1	13·7	13·1	58·5	2·7	3·6	23·0	30·4
1933	28·4	15·0	12·6	56·3	2·4	3·8	23·4	30·6
1934	28·9	17·5	14·3	61·0	2·5	4·0	25·4	33·0
December, 1933 ...	30·3	18·9	13·6	63·2	2·3	3·6	22·6	30·4
December, 1934 ...	30·4	18·7	13·8	63·3	2·7	3·9	25·8	34·3

SOME LEADING IMPORTS

Date.	Wheat.	Iron Ore and Scrap.	Raw Cotton.	Raw Wool.	Hides Wet and Dry.	Wood Pulp.	Rubber.	Iron and Steel Manufactures.
Monthly Average—	(thous. cwts.)	(thous. tons)	(thous. centals of 100 lbs.)	(thous. centals of 100 lbs.)	(thous. cwts.)	(thous. tons)	(thous. centals of 100 lbs.)	(thous. tons)
1925	8,071	373	1,578	606	155	103	163	227
1929	9,314	480	1,283	678	98	137	330	235
1930	8,731	363	1,011	652	108	128	326	243
1931	9,952	185	909	707	106	122	237	237
1932	8,803	159	1,048	765	105	153	176	133
1933	9,366	234	1,169	793	120	162	189	81
1934	8,554	392	1,054	659	116	187	395	114
December, 1933 ...	8,190	260	1,675	931	165	200	181	91
December, 1934 ...	8,935	401	1,229	773	147	215	477	114

SOME LEADING EXPORTS

Date.	Coal.	Iron and Steel.	Machinery.	Cotton Yarns.	Cotton Piece-Goods.	Woollen Tissues.	Worsted Tissues.	Motor Cars.
Monthly Average—	(thous. tons)	(thous. tons)	(thous. tons)	(mill. lbs.)	(mill. sq. yds.)	(thous. sq. yds.)	(thous. sq. yds.)	(number)
1925	4,235	311	43	11·3	370	11,015	3,942	1,481
1929	5,022	365	47	11·8	306	9,016	3,940	1,991
1930	4,573	263	40	11·1	201	6,587	2,893	1,602
1931	3,563	165	27	11·4	143	4,694	2,479	1,429
1932	3,242	157	25	13·9	183	4,461	2,358	2,246
1933	3,256	160	23	15·8	169	5,110	2,741	2,821
1934	3,305	188	28	10·9	166	5,745	2,773	2,909
December, 1933 ...	3,049	173	23	11·1	156	5,066	2,708	3,618
December, 1934 ...	3,075	187	33	10·3	161	5,118	2,748	3,130

PRICES

1. WHOLESALE PRICES

Date.	Index Number (Sept. 16th, 1931 = 100).				
	U.K.	U.S.A.	France.	Italy.	Germany.
Average 1913	115·8	101·1	111·1	112·0	91·9
1925	177·9	152·3	154·1	148·9	130·2
1929	150·9	139·4	141·3	146·0	126·1
1930	129·3	125·1	124·3	125·0	103·8
1931	107·7	103·5	105·5	103·5	101·9
1932	103·5	89·3	92·0	93·1	88·7
1933	103·5	93·7	87·7	86·6	85·7
1934	106·4	111·1	83·1	84·2	90·4
End December, 1933 ...	106·1	104·1	87·9	84·5	88·3
„ November, 1934 ...	105·5	114·6	79·0	85·1	93·0
„ December, 1934 ...	106·6	114·1	77·7	85·3	93·0

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Générale; Italy, Italian Chamber of Commerce; Germany, Statistische Reichsamt.

2. RETAIL PRICES (cost of living)

Date.	Food.	Rent (including Rates).	Clothing.	Fuel and Light.	Other Items included.	All Items included.
End of 1925 ...	71	48	125	80–85	80	75
1929 ...	57	52	115	75	80	66
1930 ...	38	54	105	75	75	53
1931 ...	31	54	90	75	75	47
1932 ...	23	55	85	70–75	70–75	42
1933 ...	24	56	85	70–75	70–75	42
End Oct., 1934...	27	56	85–90	70	70–75	44
„ Nov., 1934...	27	56	85–90	70	70–75	44
„ Dec., 1934...	25	56	85–90	70–75	70–75	43

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat No. 1 N. Manitoba.	Sugar Centrifugals U.K.	Cotton American Middling.	Wool 64's tops avge.	Pig-Iron, Cleveland No. 3.	Tin, Standard Cash.	Rubber, Plantation Sheet.
	per qr. s. d.	per cwt. s. d.	per lb. d.	per lb. d.	per ton s. d.	per ton £	per lb. d.
Average 1913 ...	36 10	—	7·01	$29\frac{3}{16}$	58 $1\frac{1}{2}$	—	$36\frac{3}{4}$
1925 ...	66 $4\frac{1}{4}$	12 9	12·65	$54\frac{15}{16}$	72 $9\frac{3}{4}$	$261\frac{3}{16}$	$34\frac{3}{16}$
1929 ...	54 $0\frac{3}{4}$	9 $0\frac{1}{2}$	10·29	$38\frac{3}{8}$	70 $4\frac{1}{2}$	$203\frac{11}{16}$	$10\frac{1}{2}$
1930 ...	40 $1\frac{1}{2}$	6 7	7·44	$26\frac{5}{8}$	67 0	$142\frac{5}{8}$	$5\frac{11}{16}$
1931 ...	28 $2\frac{1}{4}$	6 $4\frac{3}{4}$	5·08	$23\frac{1}{16}$	58 7	$118\frac{3}{8}$	$3\frac{1}{8}$
1932 ...	30 $6\frac{1}{4}$	5 $9\frac{1}{2}$	5·29	$22\frac{1}{16}$	58 6	$136\frac{3}{16}$	$2\frac{5}{16}$
1933 ...	28 2	5 4	5·53	$28\frac{5}{16}$	62 3	$194\frac{11}{16}$	$3\frac{1}{4}$
1934 ...	30 11	4 $8\frac{1}{2}$	6·66	$30\frac{11}{16}$	66 $10\frac{1}{2}$	230	$6\frac{3}{16}$
Dec., 1933 ...	26 $7\frac{1}{2}$	4 $8\frac{3}{4}$	5·26	37	62 6	$227\frac{7}{8}$	$4\frac{1}{8}$
Nov., 1934 ...	31 9	4 1	6·89	$24\frac{7}{8}$	67 6	$228\frac{11}{16}$	$6\frac{1}{4}$
Dec., 1934 ...	33 $7\frac{1}{2}$	4 3	7·06	$24\frac{1}{16}$	67 6	$228\frac{1}{4}$	$6\frac{11}{16}$

LLOYDS BANK

LIMITED

Head Office : 71 Lombard Street, London, E.C.3

1677

Chairman : J. W. BEAUMONT PEASE

Deputy Chairman : SIR AUSTIN E. HARRIS, K.B.E.

Chief General Managers :
F. A. BEANE, G. F. ABELL

Joint General Managers :
W. G. JOHNS, D.S.O., R. A. WILSON, SYDNEY PARKES, S. P. CHERRINGTON

Statement of Accounts

31st December, 1934

LIABILITIES	£
Paid-up Capital	15,810,252
Reserve Fund	8,500,000
Current, Deposit, and other Accounts	373,357,792
Acceptances	3,701,667
Endorsements, Guarantees, and other Obligations	42,513,250

ASSETS	
Cash in hand, and with the Bank of England	40,757,097
Balances with and Cheques on other Banks in the British Isles	14,743,901
Money at Call and Short Notice	36,313,120
Balances with Banks Abroad	1,353,349
Bills Discounted	47,214,847
Investments at or under Market Value	97,739,057
Investments in Subsidiary and Auxiliary Companies :—	
The National Bank of Scotland Ltd.	2,674,389
Bank of London & South America Ltd.	1,761,681
Lloyds & National Provincial Foreign Bank Ltd.	600,000
Indian Premises Company Ltd.	54,502
Loans and Advances	136,301,680
Other Assets and Accounts	10,325,186
Bank Premises	7,829,235
Liabilities of Customers for Acceptances, &c.	46,214,917

Over 1,900 Offices in England and Wales, and others in India and Burma

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